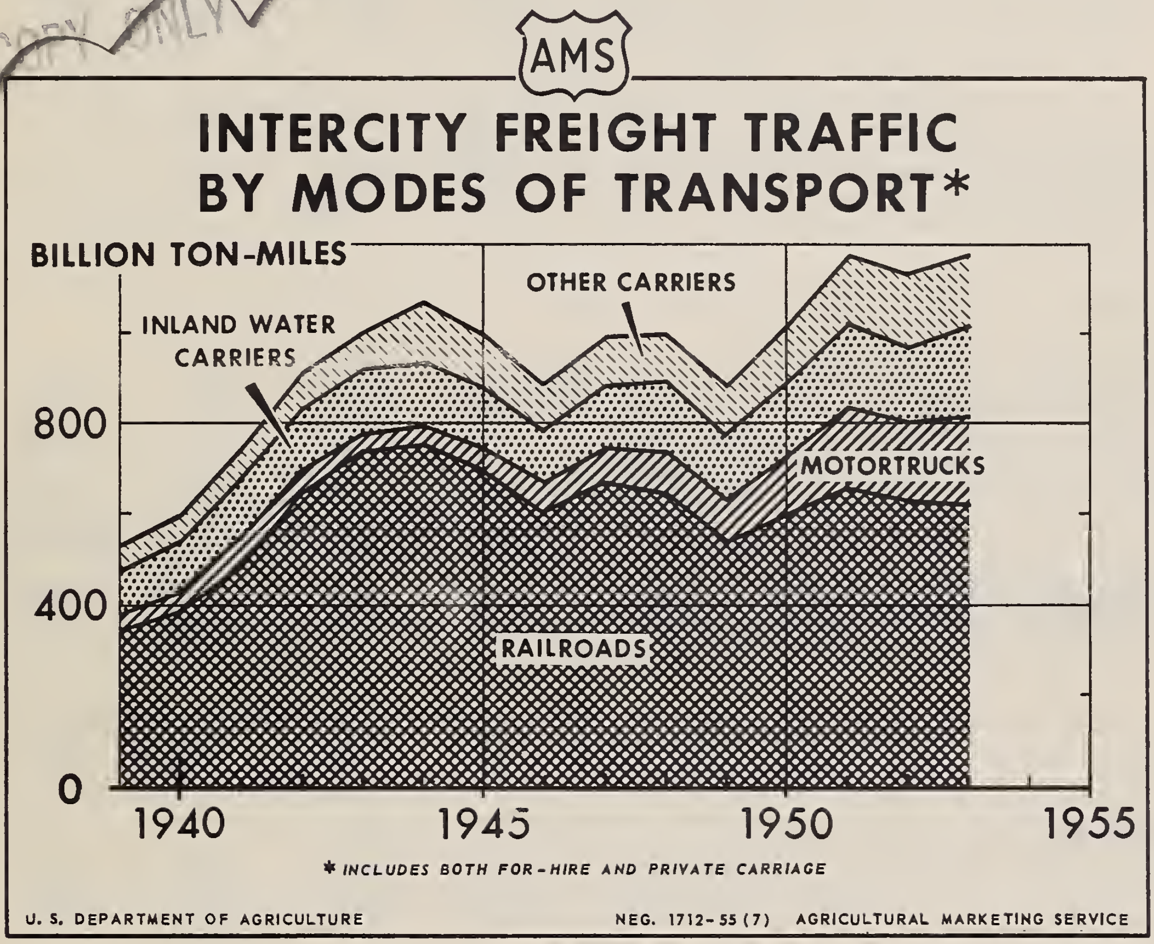
FOR RELEASE
JULY 26, A. M.
1955

The MARKETING and TRANSPORTATION SITUATION

MTS-118

In this issue:
Marketing Bill for Farm Food Products
American Farmers and the St. Lawrence Seaway
Proposals for Basic Change in Transport Policy



Motortrucks have hauled an increasing share of the Nation's expanding intercity freight traffic, including traffic from farms to cities and cities to farms as well as between cities. Railroads have hauled a decreasing share, but the number of ton-miles of freight moving by rail has continued to increase. Railroads accounted for 339 billion ton-miles in 1939; for 614 in 1953. Ton-miles of freight hauled by motortrucks (for-hire and private) increased from an estimated 44 billion to 207 billion. In an expanding economy, all modes of transport gained business, but at different rates. Most of the freight moved by "other carriers" was oil pumped through pipelines. Traffic shown here does not include natural gas moved by pipelines.

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

AGRICULTURE - WASHINGTON

STATISTICAL SUMMARY OF MARKET INFORMATION

Item	Unit or base period	1954 Year	1954 Apr.-June	1954 Oct.-Dec.	1955 Jan.-Mar.	1955 Apr.-June
Farm-to-retail price spreads						
Farm-food market basket: 1/						
Retail cost	Dol.	985	987	967	974	976
Farm value	Dol.	427	433	406	410	406
Marketing margin	Dol.	558	554	561	564	570
Farmer's share of retail cost	Pct.	43	44	42	42	42
Cotton: 2/						
Retail cost	Dol.	55.25	55.32	55.17	54.94	---
Farm value	Dol.	7.06	7.03	7.17	7.09	---
Marketing margin	Dol.	48.19	48.29	48.00	47.85	---
Farmer's share of retail cost	Pct.	12.8	12.7	13.0	12.9	---
Tobacco: 3/						
Retail cost	Dol.	3.32	---	---	---	---
Farm value	Dol.	.509	---	---	---	---
Federal and State excise taxes	Dol.	1.32	---	---	---	---
Marketing margin excluding excise taxes	Dol.	1.49	---	---	---	---
Farmer's share of retail cost	Pct.	15.3	---	---	---	---
General economic indicators						
Consumers' per capita income and expenditures: 4/						
Disposable personal income	Dol.	1,561	1,560	1,564	1,586	---
Expenditures for goods and services	Dol.	1,441	1,438	1,453	1,473	---
Expenditures for food	Dol.	395	392	398	394	---
Expenditures for food as percentage of disposable income	Pct.	25	25	25	25	---
		1954		1955		
		Year	May	Mar.	Apr.	May
Hourly earnings per employed factory worker 5/	Dol.	1.81	1.81	1.85	1.86	1.87
Hourly earnings of food marketing employees 6/	Dol.	1.70	1.70	1.74	1.75	1.76
Retail sales: 7/						
Food stores	Mil. dol.	3,463	3,434	3,602	3,525	3,636
Apparel stores	Mil. dol.	846	822	867	889	905
Manufacturers' inventories: 7/						
Food and beverage	Mil. dol.	4,561	4,645	4,442	4,400	4,399
Textile	Mil. dol.	2,403	2,425	2,396	2,380	2,405
Tobacco	Mil. dol.	1,844	1,830	1,846	1,839	1,848
Indexes of industrial production: 8/						
Food and beverage manufactures	1947-49=100	106	109	109	110	110
Textiles and apparel	do.	100	102	109	112	113
Tobacco manufactures	do.	102	107	107	103	102
Index of physical volume of farm marketings	1935-39=100	160	130	129	130	9/134
Price indexes						
Consumer price index 5/	1947-49=100	115	115	114	114	114
Wholesale prices of food 5/	do.	104	105	101	102	102
Wholesale prices of cotton goods 5/	do.	89	88	91	90	90
Wholesale prices of woolen and worsted goods 5/	do.	109	110	106	106	106
Prices received by farmers 10/	do.	92	94	90	91	90
Prices paid by farmers 10/	do.	110	111	110	110	110

1/ Average quantities of farm food products purchased per wage-earner and clerical-worker family in 1952.
2/ 42 cotton articles of clothing and housefurnishings, weighted by average annual quantities bought by wage earners and clerical workers as reported in 1934-36 survey. Data are for last month of quarter. 3/ 4 tobacco products from 1 pound of leaf tobacco (farm-sales weight), weighted by leaf equivalent of tax-paid withdrawals. Data are for the fiscal year ended June 30, 1955. 4/ Seasonally adjusted annual rates, calculated from Dept. of Commerce data. 5/ Dept. of Labor. 6/ Weighted composite earnings in food processing, wholesale trade, retail food stores, and steam railways, calculated from data of Dept. of Labor and Interstate Commerce Commission. 7/ Seasonally adjusted, Dept. of Commerce. Annual data for 1953 are on an average monthly basis. 8/ Seasonally adjusted, Board of Governors of Federal Reserve System. 9/ Preliminary. 10/ Converted from 1910-14 base.

THE MARKETING AND TRANSPORTATION SITUATION

Approved by the Outlook and Situation Board July 19, 1955

CONTENTS

SUMMARY

Charges for marketing farm-produced food products were 3 percent higher in the April-June quarter of this year than during the same period of last year. (See table on inside of cover page.) Prices farmers received for food products declined about 6 percent, but because of the increase in marketing charges, retail food prices were down only 1 percent. The decline in prices received by farmers resulted mainly from a sharp decrease in the price of hogs.

Farmers received 42 cents of the dollar consumers spent for farm food products in the second quarter of 1955, 2 cents less than in the same period of 1954. The farmer's share did not change significantly from the first to the second quarter of this year.

The bill for marketing domestic farm food products bought by civilian consumers in the United States is estimated at 26.4 billion dollars in 1954, 3 percent more than in the previous year. The volume of products handled was somewhat larger than in 1953 and unit costs of marketing many products were higher.

Special Features in This Issue

Opening of the St. Lawrence Seaway in 1959 will provide a new route for farm products shipped from the North Central and Northeastern States to overseas destinations. Some reduction in transportation costs seems likely. To take advantage of the new route, large investments in marketing facilities will be necessary. Efficient planning of these facilities and adjustment to changed trade channels will require extensive marketing research (pp. 9-16).

Basic revisions of Federal legislation on transport were proposed in a recent report of the Presidential Advisory Committee on Transport Policy and Organization. The Committee favors ". . . increased reliance on competitive forces of transportation in rate making . . ." (Pp. 17-29.)

FARM-RETAIL PRICE SPREADS FOR FARM FOODS

Marketing Charges Advance

Charges for marketing the foods in the family "market basket" were 3 percent higher in the second quarter of this year than in the same period of 1954. 1/ (See table 7, p. 33.) The total marketing margin for these foods in the second quarter this year was at an annual rate of $570 compared with $553 in 1954. 2/ More than half this increase resulted from a 10-percent increase for the meat products group. The marketing margin for pork products was 17 percent wider than a year earlier. Marketing margins were wider for all other major commodity groups except dairy products and poultry and eggs. Increases ranged from 1 percent for the miscellaneous products group to 5 percent for the fats and oils group. A smaller margin for eggs accounted for the 3-percent decrease in the marketing margin of the poultry and eggs group.

The total marketing margin for the foods in the market basket increased about 1 percent from the first to the second quarter of this year. Margins of the major commodity groups varied from a 2-percent decrease for the fats and oils group to a 3-percent increase for fruits and vegetables.

Costs of many marketing firms may have been somewhat higher in the second quarter of 1955 than a year earlier. Average hourly earnings of employees in food marketing firms were about 4 percent higher in May 1955, the latest month for which data are available, than in the same month of 1954. Prices of other purchased materials and services may have averaged slightly higher than a year earlier.

1/ The "market basket" contains the average quantities of farm-produced food products purchased for consumption at home by urban wage-earner and clerical-worker families in 1952. The retail cost of all foods bought per family is more than the retail cost of the "market basket" of farm foods, which does not include imported foods, fishery products, or other foods of nonfarm origin, and does not include costs of meals purchased in eating places. Additional information concerning the contents of the market basket and methods of estimating the market-basket data were given in the Supplement to the July-Sept. 1953 issue of this Situation.

2/ The marketing margin is the difference between the retail price paid by the consumer and the payment to the farmer for equivalent products. It is an estimate of the charges made by marketing agencies for assembling, processing, transporting, and distributing the farm products.

Table 1.- The farm food market basket: Retail cost, farm value, marketing margin, and farmer's share of retail cost, 1946-55

Year and month	Retail cost 1/	Farm value 2/	Marketing margin	Farmer's share
	Dollars	Dollars	Dollars	Percent
1935-39 average	3/	3/	3/	40
1946	767	4/397	4/370	4/52
1947	932	471	461	51
1948	994	498	496	50
1949	939	435	504	46
1947-49 average	955	468	487	49
1950	924	432	492	47
1951	1,026	495	531	48
1952	1,028	482	546	47
1953	1,002	450	552	45
1954	985	427	558	43
1954				
Apr.	984	443	541	45
May	989	439	550	44
June	986	418	568	42
July	994	425	569	43
Aug.	989	430	559	43
Sept.	980	416	564	42
Oct.	974	404	570	41
Nov.	967	411	556	43
Dec.	960	401	559	42
1955				
Jan.	5/968	5/410	5/558	5/42
Feb.	5/976	409	5/567	42
Mar.	5/977	5/411	5/566	42
Apr.	5/981	413	5/568	42
May	975	403	572	41

1/ Retail cost for each year is based on average quantities of farm foods purchased per urban wage-earner and clerical-worker family in 1952, calculated from retail prices collected by the Bur. of Labor Statistics.

2/ Payment to farmers for equivalent quantities of farm products minus imputed value of byproducts obtained in processing.

3/ Comparable dollar figures not available. The farmer's share and index numbers of the retail cost, farm value, and marketing margin for the years 1913-52 were published in the Oct.-Dec. 1953 issue of this Situation.

4/ The farm value including Government payments to producers in 1946 was $405, the marketing margin plus Government payments to processors was $383, and the farmer's share adjusted for Government payments to producers was 53 percent.

5/ Revised.

Current data are given in the Statistical Summary, a monthly publication of the Agricultural Marketing Service.

Farm Value Down 6 Percent From Year Ago

The farm products equivalent to the foods in the market basket had a farm value of $406 in the second quarter compared with $433 in the same quarter last year (table 6, p. 32). Most of this decrease resulted from sharply lower prices for hogs, which caused a 20-percent decrease in the farm value of the meat products group. The fats and oils group and miscellaneous products group also contributed to the decrease. The farm value of the poultry and eggs group was 8 percent higher than a year earlier, mainly because of higher prices for frying chickens. Sharply higher prices for potatoes, cabbage, onions, and several of the other fresh vegetables were responsible for a 7-percent increase for the fruits and vegetables group.

The farm value of the foods in the market basket was slightly lower in the second quarter of this year than in the previous quarter. Higher prices for several of the fresh vegetables caused a rise in the farm value of the fruits and vegetables group, but other commodity groups all were slightly lower.

Little Change in Retail Cost of Farm Foods

Retail cost of the market basket of farm foods declined from an average annual rate of $987 in the second quarter of 1954 to $976 in April-June of this year, a decrease of about 1 percent. This reduction was caused mainly by lower prices for pork. Retail cost of the meat products group was down 9 percent. The fats and oils group and the miscellaneous products group also were lower. These decreases were partially offset by increases for other commodity groups.

The total retail cost of the foods in the market basket did not change significantly between the first and second quarters of this year. Changes for the various commodity groups were small, the largest was a 4-percent increase for the fruits and vegetables group.

Farmer's Share 2 Cents Smaller Than a Year Earlier

Farmers received 42 cents of the dollar consumers spent for farm foods in the second quarter of 1955, the same as in the previous quarter but 2 cents smaller than that received in April-June 1954. 3/ Since World War II the farmer's share by quarters has varied from 42 to 52 cents.

3/ Estimates of the division of the retail cost between farmers and marketing agencies are based on concurrent prices at the farm and retail levels, except for processed fruits and vegetables and sugar. During a period of rising prices, the farmer's share calculated on this basis is somewhat larger than the share which would be obtained by comparing prices received by farmers for particular lots of products with prices paid by consumers for the same lots after they have moved through the marketing system. The reverse is true in periods of declining prices.

MARKETING BILL FOR FARM FOOD PRODUCTS

The estimated bill for marketing the domestic farm-produced food products bought by civilian consumers in the United States was 26.4 billion dollars in 1954, 3 percent more than in 1953 (table 2). 1/ This was the smallest year-to-year increase since 1950. It reflects some increase in the volume of products marketed and higher unit costs of marketing many products. Charges for local assembly, transportation, processing, wholesaling, and retailing are included in the marketing bill but not the additional service charges for food sold in the form of meals in restaurants and other eating places. The marketing bill includes both costs and profits of firms marketing farm products.

The total retail-store value of these foods in 1954 is estimated at 45.1 billion dollars, about the same as for the previous year. 2/ The effect on the retail cost of the increase in the volume of products sold to consumers was offset by reductions in the retail prices of some products. Farmers received 18.7 billion dollars for the equivalent farm products or 41 percent of the retail cost of these foods. This compared with 19.3 billion in 1953 which was 43 percent of retail cost in that year.

The marketing bill has increased steadily since 1939. In 1954 it was more than three times the 1935-39 average. The farm value and retail cost had increased by somewhat larger percentages than the marketing bill. Between 1947, the first post-World War II year in which price controls were not in effect, and 1954, the marketing bill increased about 8.5 billion dollars. During this period the farm value varied from 17.1 billion dollars in 1949 to 20.3 billion in 1951. By 1954 it had declined from the 1951 peak to the 1947 level of 18.7 billion dollars. Expansion in the volume of food marketed, an increase in marketing services per unit of product, and rising costs of performing marketing services accounted for the increase in the marketing bill.

1/ Revisions in basic data and changes in methods of deriving the estimates have necessitated revising some of the data for 1940 and later years.

2/ The retail cost is the cost at retail-store prices. Food sold in the form of meals is valued at what it would have cost in retail stores. These estimates do not include the value of food products that are not produced on farms in this country nor the value of foods consumed in households of farms where produced. For a comparison of these estimates with other published series, see the Sept. 1950 issue of this Situation.

Table 2.- Marketing bill for farm food products purchased by domestic civilian consumers, retail cost and farm value, all farm foods and five major commodity groups, average 1935-39, annual 1913-54 1/

Year	All farm foods 2/			Meat products			Dairy products			Poultry and eggs			Bakery and cereal products			Fruits and vegetables		
	Farm value	Retail cost	Marketing bill	Farm value 3/	Retail cost	Marketing bill	Farm value 3/	Retail cost	Marketing bill	Farm value 3/	Retail cost	Marketing bill	Farm value 3/	Retail cost	Marketing bill	Farm value 3/	Retail cost	Marketing bill
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
1913	3.53	7.41	3.88	1.35	2.26	0.91	0.62	1.23	0.61	0.45	0.66	0.21	0.44	1.42	0.98	0.55	1.44	0.89
1914	3.64	7.91	4.27	1.35	2.26	.91	.64	1.28	.64	.47	.67	.20	.49	1.62	1.13	.58	1.69	1.11
1915	3.63	7.99	4.36	1.21	2.16	.95	.66	1.33	.67	.48	.68	.20	.59	1.74	1.15	.56	1.61	1.05
1916	4.35	9.47	5.12	1.50	2.49	.99	.74	1.44	.70	.53	.75	.22	.68	1.99	1.31	.71	2.17	1.46
1917	6.05	12.40	6.35	2.03	3.03	1.00	.94	1.68	.74	.68	.94	.26	1.15	2.78	1.63	.97	3.10	2.13
1918	6.87	13.19	6.32	2.51	3.96	1.45	1.09	1.88	.79	.83	1.19	.36	1.05	2.45	1.40	1.04	2.72	1.68
1919	7.55	15.22	7.67	2.50	4.14	1.64	1.34	2.38	1.04	1.03	1.45	.42	1.21	2.90	1.69	1.13	3.33	2.20
1920	7.36	16.52	9.16	2.15	4.12	1.97	1.40	2.53	1.13	1.10	1.58	.48	1.17	3.16	1.99	1.30	4.21	2.91
1921	5.05	12.57	7.52	1.40	3.45	2.05	1.15	2.34	1.19	.77	1.16	.39	.62	2.42	1.80	.95	2.64	1.69
1922	5.19	12.88	7.69	1.56	3.49	1.93	1.14	2.31	1.17	.75	1.12	.37	.59	2.36	1.77	.99	2.97	1.98
1923	5.62	14.00	8.38	1.58	3.77	2.19	1.39	2.65	1.26	.83	1.24	.41	.59	2.43	1.84	1.03	3.15	2.12
1924	5.87	14.51	8.64	1.73	4.07	2.34	1.34	2.59	1.25	.86	1.31	.45	.67	2.52	1.85	1.06	3.31	2.25
1925	6.77	15.73	8.96	2.10	4.28	2.18	1.47	2.83	1.36	.96	1.41	.45	.87	2.81	1.94	1.15	3.60	2.45
1926	6.95	16.38	9.43	2.18	4.35	2.17	1.53	2.93	1.40	1.03	1.49	.46	.80	2.87	2.07	1.22	3.96	2.74
1927	6.72	16.23	9.51	2.04	4.25	2.21	1.62	3.09	1.47	.96	1.40	.44	.74	2.90	2.16	1.14	3.75	2.61
1928	6.94	16.27	9.33	2.11	4.28	2.17	1.69	3.19	1.50	1.05	1.53	.48	.74	2.98	2.24	1.13	3.47	2.34
1929	7.22	17.08	9.86	2.23	4.45	2.22	1.76	3.33	1.57	1.12	1.70	.58	.68	2.86	2.18	1.21	3.89	2.68
1930	6.33	16.15	9.82	1.94	4.25	2.31	1.57	3.13	1.56	.93	1.51	.58	.56	2.78	2.22	1.13	3.68	2.55
1931	4.66	13.06	8.40	1.37	3.58	2.21	1.25	2.66	1.41	.71	1.20	.49	.35	2.24	1.89	.86	2.84	1.98
1932	3.40	10.61	7.21	.91	2.67	1.76	.97	2.21	1.24	.54	.88	.34	.26	1.91	1.65	.61	2.29	1.68
1933	3.56	10.93	7.30	.92	2.61	1.68	.96	2.17	1.21	.48	.80	.32	.34	2.00	1.60	.73	2.59	1.86
1934	4.27	12.52	7.92	1.13	3.26	1.90	1.12	2.36	1.24	.58	.98	.40	.47	2.38	1.81	.80	2.83	2.03
1935	5.02	12.94	7.58	1.49	3.39	1.70	1.29	2.58	1.29	.75	1.09	.34	.52	2.41	1.75	.79	2.81	2.02
1936	5.78	14.29	8.51	1.79	3.79	2.00	1.42	2.81	1.39	.77	1.16	.39	.58	2.51	1.93	1.00	3.22	2.22
1937	5.98	14.18	8.20	1.90	3.95	2.05	1.49	2.90	1.41	.81	1.24	.43	.61	2.53	1.92	.95	2.76	1.81
1938	5.20	13.39	8.18	1.71	3.57	1.86	1.32	2.72	1.40	.77	1.16	.39	.41	2.42	2.01	.78	2.56	1.78
1939	5.17	13.37	8.19	1.69	3.54	1.85	1.32	2.76	1.44	.72	1.10	.38	.39	2.26	1.87	.86	2.79	1.93
1935-39 av.	5.43	13.63	8.13	1.72	3.65	1.89	1.37	2.76	1.39	.76	1.15	.39	.50	2.42	1.89	.88	2.83	1.95
1940	5.6	14.1	8.5	1.8	3.7	1.9	1.5	3.0	1.5	.8	1.2	.4	.4	2.3	1.9	.9	2.9	2.0
1941	7.1	16.3	9.2	2.5	4.3	1.8	1.7	3.4	1.7	1.0	1.4	.4	.5	2.5	2.0	1.1	3.3	2.2
1942	9.3	19.8	10.5	3.2	4.9	1.7	2.1	4.1	2.0	1.4	2.0	.6	.7	2.9	2.2	1.5	4.1	2.6
1943	11.4	22.3	11.1	3.6	5.2	1.8	2.3	4.3	2.0	2.0	2.7	.7	.9	3.3	2.4	2.1	5.0	2.4
1944	11.6	22.5	11.4	3.7	5.3	1.9	2.5	4.5	2.0	1.8	2.5	.7	.9	3.1	2.3	2.3	5.3	3.1
1945	12.6	24.4	12.5	3.7	5.0	1.7	2.6	4.8	2.2	2.3	3.1	.8	1.0	3.5	2.6	2.5	6.4	4.0
1946	15.7	30.8	15.6	5.2	7.3	2.4	3.5	6.3	2.8	2.4	3.4	1.0	1.3	4.2	3.0	2.6	7.2	4.7
1947	18.7	36.4	17.7	7.4	10.9	3.5	3.7	6.6	2.9	2.6	3.8	1.2	1.5	4.8	3.3	2.6	7.5	4.9
1948	19.2	38.9	19.7	7.6	11.5	3.9	4.1	7.4	3.3	3.0	4.3	1.3	1.4	5.3	3.9	2.4	7.6	5.2
1949	17.1	37.8	20.7	6.7	10.7	4.0	3.5	6.8	3.3	2.8	4.1	1.3	1.2	5.5	4.3	2.3	7.9	5.6
1950	17.7	38.7	21.0	7.3	11.3	4.0	3.5	6.9	3.4	2.5	3.9	1.4	1.3	5.5	4.2	2.3	8.0	5.7
1951	20.3	43.0	22.7	8.1	12.2	4.1	4.0	7.7	3.7	3.4	5.0	1.6	1.4	6.1	4.7	2.6	8.7	6.1
1952	20.2	44.3	24.1	7.8	12.4	4.6	4.2	8.0	3.8	3.2	4.8	1.6	1.4	6.2	4.8	2.9	9.6	6.7
1953	19.3	44.9	25.6	7.4	12.3	4.9	3.9	8.0	4.1	3.4	5.0	1.6	1.4	6.4	5.0	2.5	9.5	7.0
1954 4/ ...	18.7	45.1	26.4	7.4	12.5	5.1	3.8	8.1	4.3	2.9	4.6	1.7	1.4	6.5	5.1	2.4	9.6	7.2

1/ The retail-cost estimates represent the cost at retail-store prices of all domestic farm foods that were both sold by farmers and bought by civilian consumers in this country. Farm food products sold in the form of meals are included but are valued at what the food would have cost in retail stores. Farm value is adjusted to eliminate imputed value of nonfood by-products. The marketing bill, or total marketing margin, is equal to the difference between the farm value and retail cost except for the years 1933-35 and 1943-46 in which the marketing bill for some groups is adjusted for processor taxes or Government payments to processors.

2/ Includes vegetable-oil products, sugar, and other miscellaneous food products in addition to the five commodity groups given in this table.

3/ The estimated farm values of milk, eggs, fruits, lard, and vegetable shortening used in bakery products other than flour were deducted from the farm values of other commodity groups and added to the farm value of the bakery and cereal products group.

4/ Preliminary estimates.

Data for 1940 and later years revised June 1955.

AMERICAN FARMERS AND THE ST. LAWRENCE SEAWAY 1/

Farmers in the North Central States and in Pennsylvania and New York have a considerable interest in changes in agricultural marketing that will be brought about by the St. Lawrence Seaway. Construction of navigational improvements is under way that will permit large oceangoing vessels to enter the Great Lakes in 1959. Products of agriculture produced in the Midwest and transported to the eastern seaboard will then have an alternative route possessing distinct possibilities of lower overall transportation costs than the rail or combination rail-lake route now used.

A number of questions must be answered before an assessment can be made of how extensive these savings may be. The boundaries of the territory that will be tributary to the Seaway are indefinite. The number of agricultural commodities which the Seaway may serve is not fully known and the potential volume of traffic for each is unknown. Existing handling, storage, processing, and transportation arrangements are interrelated. The extent of change that is likely to take place within this framework is yet to be ascertained. Another open question is whether the railroads will establish rates that will compete with the Seaway should it appear that the latter route will be cheaper for shippers.

Exports of Agricultural Products Over the Seaway

The territory to be served by the Seaway will include other States beside those bordering the Great Lakes. At present grain is drawn to the western lake ports from the Dakotas, Montana, Nebraska, and Iowa as well as the lakeside States. Reduced transportation costs of the Seaway route, should they be realized, will tend to widen the area from which grain and other products will flow to the lakes. There are, of course, other routes that will limit the attraction of the Seaway, including the Illinois-Mississippi water route to the Gulf region and the railroad routes to the Pacific coast from the Mountain States. Just where the new lines will be drawn is a matter for study. Likewise, the effects of these shifts on local marketing patterns in the fringe areas will require investigation.

The States to be served by the Seaway are among the most important in the production of farm products. Grains, livestock, dairy products, oilseeds, and fruit in original or processed form now move eastward in large quantities from this territory for consumption or export. In addition to these, there may be other products which, for one reason or another, may be marketed over the new route. The traffic of all agricultural products eastbound over the Seaway is likely to be largely export rather than domestic, for reasons to be explained subsequently. Estimation of the volume of agricultural exports expected to leave the country over the Seaway is not easy, but some idea of its extent can be gained by a study of past exports from certain customs districts. Those districts situated on the North Atlantic seaboard, taking in the ports of Boston, New York, Philadelphia, and Baltimore, are the principal gateways at present for agricultural products originating in the Midwest. It is recognized that exports of some commodities departing

1/ Prepared by Stanley W. Phillips, Agricultural Economist, Agr. Market. Serv.

through these ports also include quantities produced on the eastern seaboard and elsewhere. Nevertheless, these data provide the best available clues to potential agricultural components of Seaway traffic.

Wheat and Wheat Flour

Wheat and flour (in wheat equivalent) exported from the North Atlantic seaboard of the United States in the 5-year period 1950-54 ranged from 53.6 million bushels in 1950 to 154.1 million in 1951. Less variation took place during 1952-54 and future shipments may be closer to the figures for those years (table 3). One private estimate based on the exports of wheat alone for 1938-43 from the Atlantic ports gives 53.3 million bushels as the probable average annual shipment of United States wheat over the Seaway in 1960-65. Estimates of United States and Canadian grain of all kinds to be shipped on the Seaway during this period range from 6.5 million to 12.1 million tons per year, or from 15 to 33 percent of the total in-and-out traffic. 2/ Since most of this will be wheat, it is probably safe to say that it will be the most important farm product to use the new waterway.

Table 3.- Wheat and wheat flour: Exports via North Atlantic seaboard, United States, 1950-54

Year	Exports as wheat		Exports as flour		
	Actual	Percentage of United States total	Actual	Wheat equivalent	Percentage of United States total
	1,000 bushels	Percent	Hundredweight	1,000 bushels	Percent
1950	49,500	24	1,763,120	4,139	11
1951	144,352	34	4,176,981	9,805	20
1952	76,838	21	2,720,765	6,387	15
1953	65,746	28	3,387,533	7,952	22
1954	84,478	44	2,714,483	6,372	17

Corn, Soybeans, Soybean Oil

Although smaller quantities of soybeans and corn are exported than of wheat, commercial growing areas are closer to the Seaway so that larger proportions may be shipped out over the new route (table 4). The Illinois-Mississippi waterway provides the only other low-cost transportation route for these products.

A large part of the soybean oil, crude and refined, is produced within a relatively short distance of the lakes. Substantial amounts go to the east coast for overseas shipment.

2/ Estimates made by the U. S. Dept. of Commerce and by the St. Lawrence Seaway Development Corp.

Table 4.- Corn and soybeans: Exports via North Atlantic seaboard, United States, 1950-54

Year	Exports of corn		Exports of soybeans	
	Actual	Percentage of United States total	Actual	Percentage of United States total
	1,000 bushels	Percent	1,000 bushels	Percent
1950	26,533	28	4,824	25
1951	41,902	42	2,336	9
1952	53,445	54	6,638	28
1953	59,694	46	11,447	28
1954	35,938	47	13,270	31

Other Commodities

Dried beans produced in Michigan and New York State presently move into export channels via east coast ports. White varieties are exported in sizable quantities from Baltimore and New York. Virtually all red kidney beans are raised in New York State. A fourth to a third of the crop presently is exported through the New York customs district.

Data relating to exports of dairy and livestock products by customs district are not readily accessible but it is certain that east coast ports serve as gateways for much of this traffic. Lard and certain other packinghouse products have been major export items. Large meatpacking plants are located at Cincinnati, Indianapolis, Chicago, Omaha, St. Paul, and other points in the area to be served by the Seaway. Much of the export traffic in these products may be diverted to the Seaway.

Michigan produces considerable quantities of fruit, some of which enters overseas markets. Over the past 5 years about 13 percent of the total United States exports of pears was shipped via New York. During the same period, apple exports via United States North Atlantic ports averaged 20 percent of United States exports, although this percentage has been declining steadily.

Exports to Canada

In addition to providing passage for overseas exports, the St. Lawrence Seaway will serve as a key route by which our midwestern farm products will reach consumers in eastern Canada. Canada is our best export customer and her imports of American agricultural products are continuing to increase. Montreal, with a population of over a million, is located at the head of the Seaway improvements. (See fig. 1.) It serves as a distribution center for a large part of the agricultural imports from the United States that is consumed in the populous Province of Quebec (1951 population, 4,055,681), as well as eastern Ontario (1951 population, 4,597,342), and the Maritime Provinces.

Prospective Changes in Trade Channels and Facility Requirements

A substantial volume of agricultural traffic on the Seaway will bring marked changes in present export marketing channels. These channels from country points to shipside are well established and integrated with those that move these products into domestic consumption. Investment in handling, storage, transportation, and processing facilities is considerable. Substantial savings will be necessary in order to offset the cost of abandoning any of the present facilities and replacing them.

Some of the problems having to do with the threat to established marketing channels may be illustrated by considering wheat and flour which will make up a large part of the traffic on the Seaway. United States export wheat moves away from our shores through three regional gateways. During the period 1950-54, about 38 percent of the volume was shipped out of Gulf coast ports, 32 percent out of the Pacific Northwest ports, and 30 percent out of the Atlantic seaboard ports, principally Boston, New York, Philadelphia, and Baltimore. During the same interval, 56 percent of the flour exports was from the Gulf region, 27 percent from Pacific ports, and 17 percent from North Atlantic ports.

A major portion of the wheat and flour exported from northeastern ports is produced in Montana, the Dakotas, and Minnesota. The grain is loaded chiefly at Duluth-Superior and hauled over the lakes during the season of navigation to Buffalo where a part is ground into flour and moved by rail to the Atlantic ports. That which is not milled is shipped by rail. An alternative routing for bulk wheat is provided by the New York State Barge Canal system. Grain is loaded onto barges at either Buffalo or Oswego on Lake Ontario and discharged at Albany or New York City. Some of the soft wheat grown in Michigan, Illinois, Indiana, and Ohio is exported. Part of this enters the eastbound lake movement at Milwaukee, Chicago, and Toledo.

The Seaway will provide an additional route on which rates may be lower than on those described above. Before the grain trade can gain maximum savings through its use, much study, and perhaps a period of experimentation, will be required before a definite pattern emerges.

A minimum of additional facilities will be required if lake carriers continue to load grain at the western end of the lakes, using present facilities there, and deliver it at Buffalo, Montreal, or other eastern points along the route where it will be loaded aboard ocean vessels. These various eastern transfer centers have their respective advantages and disadvantages.

If ocean vessels load grain at the head of the lakes, moderate to extensive changes will take place in the relocation of facilities. Every shipment of wheat that moves overseas direct from the West, which otherwise would be transferred at Buffalo, would tend to put a strain on facilities in the West and to lessen the use of existing capacity in the East. A point will be reached where additional storage capacity will be needed at Duluth-Superior and serious overcapacity will appear at Buffalo. Needless to say, no one knows when, or at what volume of trade, this will occur.

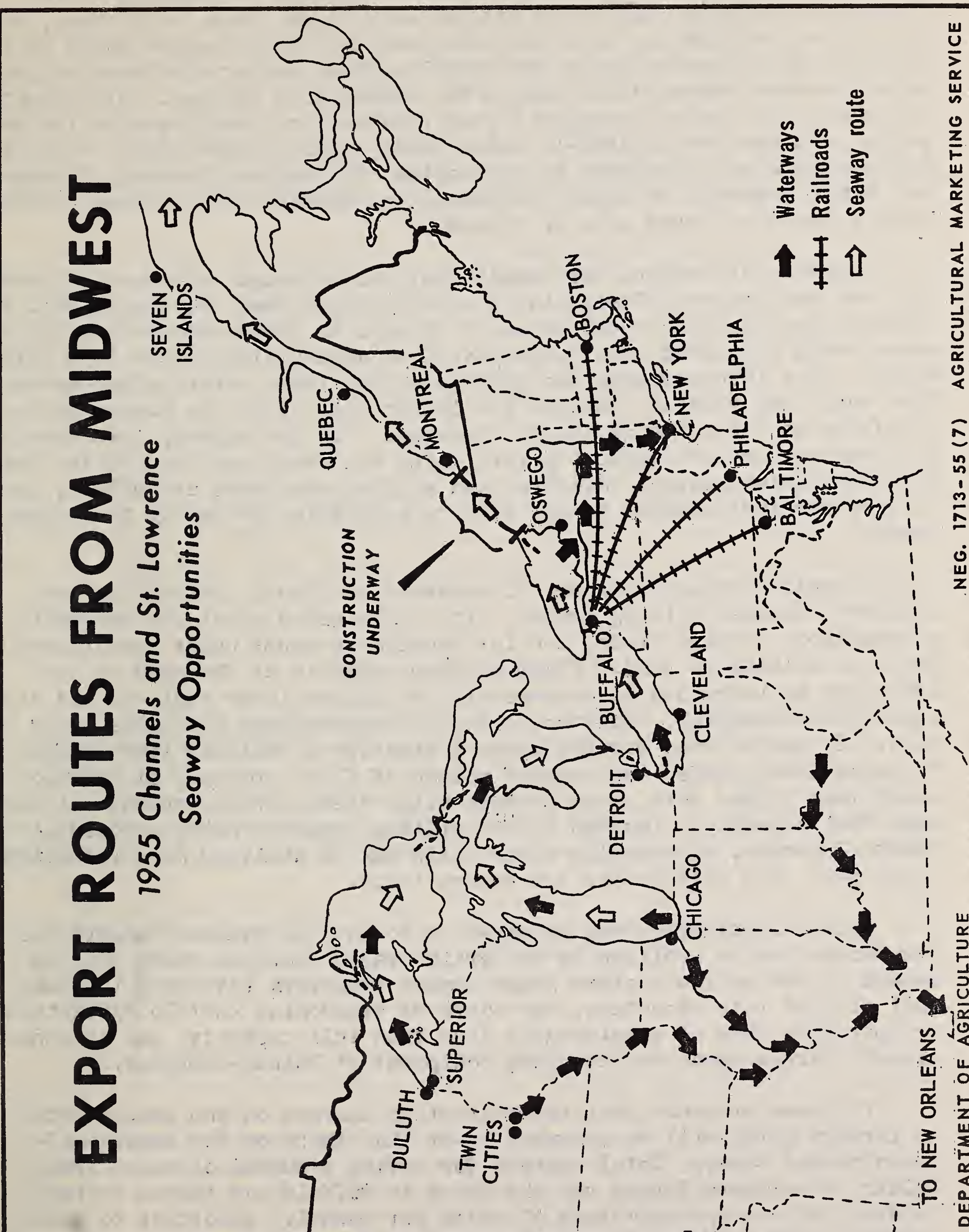

EXPORT ROUTES FROM MIDWEST
1955 Channels and St. Lawrence
Seaway Opportunities
DULUTH
SUPERIOR
TWIN CITIES
CHICAGO
DETROIT
CLEVELAND
BUFFALO
OSWEGO
CONSTRUCTION UNDERWAY
MONTREAL
QUEBEC
SEVEN ISLANDS
BOSTON
NEW YORK
PHILADELPHIA
BALTIMORE
TO NEW ORLEANS
Waterways
Railroads
Seaway route
U. S. DEPARTMENT OF AGRICULTURE
NEG. 1713-55 (7)
AGRICULTURAL MARKETING SERVICE

Figure 1

At the extreme -- with all overseas shipments originating at the lakehead -- storage facilities abroad, as well as those in the West, would have to be enlarged for it would mean that the entire export share of the annual crop of United States and Canadian wheat moving eastbound would be moved overseas during the 8 months the Seaway will be open. At present, railroads haul grain 12 months a year from eastern lake ports to the seaports. For the period 1950-54 total wheat exports departing from New York, Philadelphia, and Baltimore in the months of December, January, February, and March, amounted to nearly 40 percent of annual total. These are the months when the Seaway will be closed.

However, the chances are small that all outbound shipments of wheat will use the Seaway. During the 4 winter months when the Seaway will be closed, wheat and flour can be moved by rail to the seaboard from Buffalo where newly harvested wheat will have been accumulated in the late autumn months. The lake carriers can operate on the lakes later in the autumn than can ocean vessels, because the latter must clear the Seaway before ice forms at the mouth of the St. Lawrence. In the spring, lake carriers can make one or more voyages before ships can reach the head of the lakes from the distant ocean. Handling and milling equipment at Buffalo, used largely for the domestic trade, will be available for use by the export trade.

A smaller amount of wheat is exported as flour. Buffalo is the country's largest milling center. Its mills grind wheat for domestic consumption, foreign trade, and for Canadian account under arrangements known as milling-in-bond. Flour milling capacity at the head of the lakes may be increased to accommodate the export flour business and thus avoid extra handling. However, costs of constructing new mills would be high. If such a step brought about a transfer of milling from Buffalo to upper lake points, the reduced volume of flour produced at Buffalo would mean higher unit costs because mills there already operate at less than full capacity. Instead of new milling capacity being erected at Duluth-Superior, Minneapolis flour mills may be utilized more intensively to compete with Buffalo for the export trade.

Before conclusions can be drawn as to how the maximum benefits of the Seaway can be realized by the grain trade, thorough study will be needed of the entire eastern grain export framework involving the lake-rail freight rate structure, the costs of abandoning Buffalo facilities or operating them at considerably less than full capacity, and of additional storage space and handling equipment at Duluth-Superior.

It seems probable that transportation charges on the Seaway route to foreign ports will be somewhat lower than those on the lakes-rail-ocean routes today. Total charges for moving a bushel of wheat from Duluth to northern Europe via the lakes to Buffalo and thence by rail to New York are approximately 50 cents per bushel. According to trade opinion, owners of the few small 4,500-ton vessels currently moving shiploads of grain direct from the lakehead to the same destinations are charging about 25 cents per bushel. This disparity appears to be an overwhelming argument for the all water route.

In the light of the lower charges for the all-water route, there is the question of what will be the response of lake-carrier owners, Buffalo grain interests, and the eastern railroads. The carrier fleet, the mills and storage space, and the rail connections serving the Buffalo grain market represent a large investment. Much of it will be needed to serve the domestic grain traffic. In order to avoid the entire loss of the export trade, attempts may be made to adjust the charges for the services performed. Unless such steps to retain some of the export trade are undertaken, unit costs of handling the domestic trade are likely to rise.

When the Seaway proposal was under consideration, it was attacked by various groups as discriminatory against other forms of transportation. To overcome these charges, Public Law 358, which authorized the Seaway, provided that the Seaway should be a self-sustaining operation. Tolls will be charged toward this end but whether income will be sufficient to amortize and maintain the facilities remains to be seen.

The Act does not provide for improvement of harbors or dockside facilities. At present few if any of the lake harbors are deep enough to accommodate vessels expected to visit the ports. What agency will build these necessary improvements and how they will be financed have not been settled. The Seaway will be considered a sound economic investment of resources if its traffic can bear the cost of the improvements to the harbors and the Seaway itself and still provide lower cost transportation.

Intercoastal Traffic

Voyages from the Midwest ports to the eastern seaboard via the St. Lawrence have been part of the Seaway prospect. Farmers in the Middle West have been told repeatedly that it will furnish a cheaper means of shipping their products to the populous East. Such cargoes may be moved but there are formidable obstacles in the way. Distance, legal restrictions, and the depth of the Seaway may be limiting factors.

The sailing distance via the St. Lawrence from Chicago to New York is more than 2,700 statute miles. The railroad mileage between the two cities is approximately 900 miles. Time savings and avoidance of extra dockside handling by using the rail routes might outweigh any advantage the water route would have ratewise.

Legal restrictions may mean that transportation rates for intercoastal traffic would be higher than for overseas voyages of comparable distance. Only American vessels are permitted by law to carry cargo from one United States continental port to another. American ships, because of high operating costs, are likely to charge higher rates than foreign-flag ships. Moreover, American ships of the Liberty, Mariner, and later types all draw more water when fully loaded than the 27-foot limitation of the Seaway. If these ships are to traverse the Seaway they will have to operate at somewhat less than capacity, which means higher costs per ton than when plying between deep sea ports fully loaded. It should be added that the efficient lake steamers which are able to carry enormous cargoes of grain, ore, and coal on the Great Lakes at a

low cost per ton because of their construction design, would be unable to withstand the rigors of voyages on the North Atlantic. Until specially designed American ships are built that will navigate the St. Lawrence at lower operating costs, the intercoastal trade is likely to remain unimportant.

Exceptions to this may be found in traffic between the lakes and South Atlantic ports such as Charleston and Jacksonville. Here the advantages of railroads in time and rates will tend to diminish relative to those of the Seaway. Gulf ports are unlikely to be visited by ships from the Great Lakes-St. Lawrence River because of the advantages held by the Illinois River-Mississippi barge system.

In addition to fulfilling a 100-year-old dream of a waterway between midwestern producing areas and European markets, the Seaway promises the opportunity to reduce costs of bringing into the midcontinent manufactured goods used by farmers for production purposes. Phosphates from Florida are cited as examples of possible inbound cargoes for which the Seaway may provide savings to farmers.

PROPOSALS FOR BASIC CHANGE IN TRANSPORT POLICY 1/

The Theme: Adjust Public Control to the Revolution in Technology

In April a proposal was made for one of the most basic revisions of Federal legislation on transport which have been officially advocated since the 1880's. A Presidential Advisory Committee on Transport Policy and Organization was appointed by President Eisenhower on July 12, 1954. This Cabinet-level Committee consisted of the Secretary of Commerce, as Chairman; the Secretary of Defense; and the Director of the Office of Defense Mobilization. Additional Cabinet member served on an *ad hoc* basis. The task of the Committee was to reappraise the Federal Government's policies regarding transport and the organizational scheme under which these are administered.

The Committee's report, entitled "Revision of Federal Transportation Policy," was released by the White House on April 18, 1955. It dealt solely with Federal transport *policy*, as distinguished from Federal administrative *organization* for effectuating such policy. Moreover, the report was concerned only with *economic* regulation, not with *safety* regulation. Economic regulation includes governmental control over such matters as whether a carrier may operate and over which routes, what the carrier may haul, and at what rates.

The Committee limited its recommendations to the modes of transportation which are regulated by the Interstate Commerce Commission: railroads, oil pipelines, motor carriers (trucks and buses), domestic water carriers, and freight forwarders. 2/ The bulk of the Nation's commercial, intercity transport services is provided by these facilities. The only important facilities providing such services but not covered by the report are airlines and natural-gas pipelines.

Identical bills, S. 1920, H.R. 6141, and H.R. 6142, have been introduced to implement the Committee's report, chiefly through amending the Interstate Commerce Act. Thus far no hearings on the bills have been scheduled.

The theme of the Committee's report was summed up in three statements:

(1) "Within the short span of one generation this country has witnessed a transportation revolution."

(2) "In many respects, Government policy at present prevents, or severely limits, the realization of the most economical use of our transportation plant."

1/ Analysis prepared by Clem C. Linnenberg, Jr., Transportation Economist, Transportation and Facilities Branch, Agricultural Marketing Service.
2/ A freight forwarder consolidates shipments of freight, in order to make lower rates available to shippers of small lots.

(3) "The public interest requires the maintenance of a sound and vigorous common carrier transportation service by all of the available means of transport, each operating within its respective capabilities and developing in accordance with the indicated demand for its services." (Emphasis supplied.)

The revolution to which the Committee refers has occurred since 1920. At that date, as the Committee points out, intercity transport of goods and persons in America was almost solely by railroad, in those parts of America not served by water. Since then, a vast network of highways has taken shape, oil and gas pipelines have grown tremendously in extent and in traffic volume, further improvement of waterways has been made, and transportation by air has expanded from the infinitesimal to a major mode of commercial, intercity passenger movement, with a rapidly developing cargo service. The railroads now account for only about half of the Nation's intercity freight traffic, although the number of ton-miles of railroad freight has continued to grow. (See cover chart.)

The Committee notes that development of air, water, and highway transport facilities has entailed extensive Federal financing, and the highway system has been, even more largely, financed by the States. It can be added that, during World War II, the Federal Government spent large sums for the construction of pipelines.

On short hauls, the Committee points out, railroads and motor carriers compete for the movement of nearly all commodities. On many, diverse commodities the long-haul traffic is competitively divided among rail, motor, and water carriers. For some commodities, pipelines also serve the long-distance traffic.

The Committee characterizes this revolution as a shift from monopoly to competition. Meanwhile, it declares, ". . . government has failed to keep pace with this change and has, in fact, intensified its regulation of transportation." The Committee concludes that the result of this conflict between law and circumstances is dislocations which "have borne heavily on the common carrier segment of the transportation industry" and have, in turn, cost shippers and consumers billions of dollars per year.

In arriving at its proposals for a reduction in the degree of Federal regulation of transport, the Committee notes that it is not only direct competition between carriers that affects rates favorably to shippers, but also the shipper's own competitive relationship to other producers of the same product. That is, regardless of whether the carrier has competitors, the carrier's self-interest demands that it keep its rates low enough for the shipper served by it to stay in business.

The Committee calls attention to the fact that the economic characteristics of railroads and motor carriers are virtually opposite. The former have heavy investment and a high proportion of indirect and fixed costs. The latter entail a comparatively low investment (because the roadway is

not owned by the carriers) and a high proportion of direct and variable costs. 3/

As was indicated above, the Committee emphasizes the essentiality -- from a public-interest standpoint -- of transportation by common carrier: those transportation firms which are obliged to serve all who wish to use their services. The Committee's focus of interest is further sharpened to regulated common carriers. These are subject to economic regulation by the Government on several counts. The Committee contrasts the role of regulated common carriers to that of contract carriers, private carriers, and exempt for-hire carriers. A contract carrier is a commercial hauler who does not offer to serve the general public but, instead, has a limited number of patrons, to whom he provides a specialized type of service on the basis of contracts covering a series of shipments over a period of time. A private carrier is one who hauls his own property. The economic regulation of contract carriers by Government is more limited than that applied to common carriers. Private carriers are free of economic regulation. Exempt for-hire carriers are common and contract carriers not put under economic regulation by Government.

The Committee notes a continuing growth of exempt for-hire carriage and of private carriage of commodities other than those produced by the hauler or used by him as supplies. It takes the position that these developments are detrimental to the maintenance of a strong common carrier industry and hence harmful to shippers.

The Committee believes that, under war conditions, regulated common carriers would give a greater output of results from any given input of scarce materials and equipment than could be gotten from the other carriers (contract carriers, private carriers, and unregulated common carriers). The Committee also takes the position that the railroads can take care of a traffic increase by means of a less-than-proportionate increase in equipment, whereas other modes of transport generally require a proportionate increase in equipment, and hence the railroads are more useful in wartime than the other modes are.

Of the major objectives stated by the Committee, the most pervasive is "Increased reliance on competitive forces of transportation in rate making in order:

(a) to have transportation enterprises function under a system of dynamic competition which will speed up technical innovation and foster the development of new rate and service concepts; and

(b) to enable each form of transport to reflect its abilities in the market by aggressive experimentation in rates and service in order to demonstrate to the full its possibilities for service to the shipping and traveling public . . ."

3/ It is generally recognized among economists that, in a price war between two firms, it is the out-of-pocket cost per unit of output rather than the total cost per unit of output that affects the firm's relative ability to survive. A low out-of-pocket cost per unit of output is conducive to survival. This fact is of key importance in anticipating the results of any given policy as to governmental control over transportation rates.

A Revised Declaration of Policy

Extensive amendment of the Interstate Commerce Act in 1940 included, among other things, the insertion of a declaration of policy, entitled "the national transportation policy of the Congress." All of the Act's provisions were to be "administered . . . with a view to carrying out the . . . declaration of policy."

The recent report of the Advisory Committee on Transport Policy and organization proposes a revision of this declaration of policy so as to shift the accent from "fair and impartial regulation" to development "under the free enterprise system of dynamic competition." The policy declaration's existing ban on "unfair or destructive competitive practices" would be dropped.

A new provision in the national transportation policy would oppose "special restrictions, conditions, or limitations on individual modes of transport." The report does not specify whether this provision would permit a carrier to engage in another mode of transport -- a practice not generally allowed at present. If such authorization is contemplated, this would have far-reaching consequences -- e.g., acquisition of truck lines by competing railways or vice versa.

Greater Reliance on Competitive Forces in Rate-Making

The Committee believes that "increased reliance on competitive forces in rate making constitutes the corner-stone of a modernized regulatory program." It recommends that the degree of regulation exercised by the Interstate Commerce Commission over common carriers, and also apparently, that over contract carriers, each be made less than at present. At the same time, it proposes that some carriers now regulated as contract carriers be moved into the common carrier group (a more closely regulated category) and that some carriers now subject to no economic regulation at all be shifted into a regulated category. That is, today's regulated common carriers would be partly de-controlled, while some other carriers would become more regulated than at present.

On the de-control side of this program, the Committee recommends basic changes in four aspects of economic regulation.

Maximum or Minimum Rate Control

The first change is that the Interstate Commerce Commission's authority regarding the level of common carrier rates be limited to the setting of either the minimum rate or the maximum rate for providing a particular service. At present, the Commission has the authority to fix either the minimum rate, or the maximum rate, or both, or the precise rate. Furthermore, in rate-making, the ICC is required to take into account the effect of the proposed rates "on the movement of traffic by the carrier . . . for which the rates are prescribed." It is the view of the Committee that the weighing of such a consideration is the proper function solely of management and not of Government. Hence, the Committee proposes that this standard of judgment be removed from the Interstate Commerce Act.

In setting a minimum rate for any given service, the Commission would be allowed authority to forbid the charging of a rate which would be "less than a just and reasonable minimum." By this the Committee means a rate which fails to cover "the direct ascertainable cost of producing the service" to which the rate applies --- i.e., fails to cover the out-of-pocket cost.

In setting a maximum rate for any given service, the Commission's authority would be that of prohibiting a rate "in excess of a just and reasonable maximum." In any event, the maximum thus set would be required to be at least as high as "the full cost" of performing the service to which the rate applies "exclusive of losses in other services." Here the Commission would be required to consider "the extent and effect of competition . . . to the end that carriers shall be prevented from charging excessive or unreasonable rates on traffic which is non-competitive." Apparently this means that, if the particular service is a non-competitive one (i.e., no adequate alternative carrier is available, between the same two points), the ICC should be <u>especially</u> careful in determining that the actual rate is not excessive.

Presumably "the full cost" means the fully distributed cost -- an amount which includes both direct and indirect costs and both fixed and variable costs. One element of fixed costs is a return on the value of property. In the allocation of joint costs in an unregulated business enterprise, the rates or prices that the customers are able and willing to pay for the respective services or goods is a common guide. That is, the respective rates help to determine the respective costs. Where, on the contrary, the respective costs are to determine the respective lowest maximum rates but the lowest maximum rate for each service must exclude the loss on any other service, cost allocation is a thorny problem. The Committee does not indicate how the cost allocation is to be accomplished.

The Committee recommends that the ICC "continue" to have regulatory authority to determine rate relationships which would avoid unjust discrimination or undue preferences between persons, localities, or types of traffic, or between interstate and intrastate commerce. As for this last, the <u>existing</u> law permits the ICC to set aside intrastate rates set by State regulatory bodies for railroads, oil pipelines, and freight forwarders, and apply its own rate-making procedure to intrastate traffic of these carriers, where such action by the ICC is necessary in order to remove discrimination between inter- and intrastate commerce. Existing law expressly forbids ICC control over intrastate rates of motor carriers and water carriers.

It should be noted, however, that the rate-making power which the Committee would vest in the ICC regarding intrastate traffic of railroads, oil pipelines, and freight forwarders is the same as the power it would allow to the ICC regarding <u>interstate</u> traffic; viz., control over <u>minimum</u> <u>or</u> <u>maximum</u> rates.

As regards the Committee's recommendation that the ICC's control over interstate and intrastate rates be limited to the setting of <u>minimum</u> <u>or</u> <u>maximum</u> rates, one interpretation given to this proposal is that the

power to set both maximum <u>and</u> minimum reasonable rates, or a "zone of reasonableness," would still be vested in the Commission. Under this interpretation of the Committee's report, the ICC would retain greater rate-making power than a literal comparison of the existing Act and the report would indicate. The analysis in this article is limited, in so far as possible, to what the Committee report <u>expressly states</u>. However, the out-of-pocket cost and the fully distributed cost of hauling a particular commodity by rail may differ in the ratio of roughly 1:2. Hence, the ICC's setting of both minima and maxima, but no precise rate, would allow to transporation-company management a substantial range of discretion.

<u>Suspension Powers</u>

The second set of modifications which the Committee proposes in the ICC's regulatory authority concerns the Commission's suspension powers. At present the ICC may suspend for 7 months an increase or decrease which a common carrier proposes to make in its rates or a decrease which a contract carrier proposes to make in its minimum rates. The suspension is invoked pending the Commission's determination of the lawfulness of the proposed change. The Committee desires to enable carriers to make quick rate adjustments in either direction. It declares that ". . . suspension of new rates should be considered as a special and unusual remedy." Moreover, it recommends that suspension by the ICC be limited to 3 months.

Suspension at present may be on the ICC's own initiative or otherwise -- e.g., at the behest of a shipper or a competing carrier. The carrier proposing to change its rates or practices bears the burden of proof that the change is lawful. "Currently," says the Committee, "nearly all the protested changes in rates involve reductions and by far the greatest number of complaints are filed by carriers." (I.e., during the past 2 or 3 years, the rate changes proposed by carriers have mostly been downward adjustments. Rival carriers complain against such adjustments. In the early years after World War II, the rate changes proposed by carriers were mostly increases. Against those changes, shippers were the complainants.

The Committee proposes that hereafter the ICC be allowed to suspend a proposed change only after making a finding of fact (1) that the proposed rate is probably unlawful, (2) that it would result in injury to the complainant, and (3) that, in the absence of suspension, the complainant would have no adequate remedy.

The Committee advocates that all three of these findings be made prerequisite to any suspension, whether or not there is a complaint. The second and third findings are not possible in the absence of a complainant -- i.e., if the ICC were to want to act on its own initiative. If taken literally, this means that the Committee contemplates that the ICC no longer be allowed authority to take the initiative in the suspension of a proposed rate change. In any event, when the United States Department of Agriculture, in carrying out its duties under the Agricultural Adjustment Act and the Agricultural Marketing Act, seeks suspension of proposed changes in transportation rates, it does so on behalf of the agricultural community

as a whole. It is usually not in a position to establish injury to particular persons or to demonstrate that other remedies available to such persons are inadequate. In suspension proceedings, both the ICC and the USDA would have lesser roles than now.

At present, in any ICC hearing as to the lawfulness of a change which a carrier proposes to make in its rates, the burden of proof as to lawfulness is on that carrier. The Committee proposes that, hereafter, any <u>other carrier</u> which protests against the change bear the burden of proof, although when such a protest comes from any non-carrier, the burden of proof would remain with the carrier which proposes to change its rates. This means that, in today's circumstances, the burden of proof would generally be on the complainant.

The curtailment of the ICC's suspension powers and -- closely tied in with it -- this shifting of the burden of proof are advocated by the Committee on the ground that these measures would enable carriers "to give effect to their full economic capabilities" -- i.e., would to a large degree unfetter competition on rates. The report does not specify whether these changes are intended to apply to common carriers alone or to both common and contract carriers.

In part, this particular set of the Committee's proposals would accomplish the same purposes as were contemplated by S. 1461, the "quick rate-increase bill" or "time-lag bill," introduced in 1953. 4/ The approach, however, is different.

If rate competition is to be encouraged but rates are still to be related to the costs of the respective services, extensive statistical and accounting analysis is needed. Hence, the Committee asks for strengthening of the ICC's Bureau of Accounts, Cost Finding, and Valuation and of the Commission's "means of developing current information covering transport operations and the movement of traffic."

<u>Long-and-Short-Haul Clause</u>

Under existing law, the railroads, oil pipelines, and water common carriers are forbidden to charge a lower rate from A through B to C, than for the haul from A to B, or B to C. They are also forbidden to charge more for the haul from A to C than the sum of the rates from A to B and from B to C. These provisions are designed as restrictions on specific forms of discriminatory rate-making. For example, the first prohibition prevents a railroad from charging rates considerably below full cost, for the haul from A to C, a movement where there is competition with another railroad or a barge line, and making up the deficit through high charges on the traffic to and from B, where no competition exists.

Existing law permits the Interstate Commerce Commission to grant exceptions to the first of the above two prohibitions, but only in certain specified circumstances. Moreover, the carrier requesting the exception must bear the burden of proof that the exception should be made.

4/ See <u>The Marketing and Transportation Situation</u>, April 1953, p. 14; and October 1954, p. 46.

As the Committee points out, the Interstate Commerce Act contains no *long-and-short-haul* provisions regarding motor carriers; nor does the Committee propose to extend such provisions to motor carriers. (Long-and-short-haul discrimination is markedly easier, and financially much more tempting, for a carrier having a high proportion of fixed costs than for one with a low proportion of fixed costs.)

The Committee holds that, if A and C are served by a competing carrier but B is not, the railroads running from A through B to C are "entitled to make themselves competitive" (through offering lower rates for the long haul than for the short haul) instead of leaving the traffic between A and C to be handled exclusively by the other carrier. Hence the Committee recommends some far-reaching changes in the long-and-short-haul section of the Interstate Commerce Act.

The Committee proposes that the law be amended to give the carriers the statutory right, <u>without prior approval by the ICC</u>, to charge more for the short haul than for the long haul if the lower charge for the long haul (a) is needed to meet actual competition <u>and</u> (b) "is not less than a minimum reasonable rate." <u>Both</u> conditions would have to be met. The Committee report proposes that, on the same basis, the carriers be given the right to charge a higher rate for a long haul than the aggregate of the charges for intermediate hauls (more for A to C than for A to B, plus B to C).

<u>Volume Freight Rates</u>

"The prime economic benefit of rail, water, and pipeline transportation" the Committee declares, "clearly lies in heavy long-distance and large-scale transportation." The Committee advocates that carriers be allowed to offer lower-than-ordinary rates in return for the shipper's meeting an "incentive" minimum as to weight or volume per shipment -- <u>if</u> these rates (a) are based on cost differences <u>and</u> (b) are established to meet competition. Occasionally the ICC has approved volume freight rates under existing law.

<u>Steps Toward Increasing the Common Carrier's Share of the Traffic</u>

The Committee views with concern various recent developments which, it believes, have hindered "the maintenance of a financially strong system of common carrier transportation." Among such developments is the growth of privately operated fleets of trucks (trucks engaged in hauling freight which belongs to the firms which operate the trucks). The Committee has a series of recommendations designed to reverse these developments. These are the recommendations which look toward added rather than lessened regulation.

<u>Private Motor Carriers</u>

As indicated above, "private carriers of property by motor vedhicle" are not subject to control by the Interstate Commerce Commission as to <u>whether</u> or <u>where</u> they operate or <u>what</u> they haul. By definition, they are haulers of their <u>own</u> freight; so there are no rates for the ICC to regulate. At present the enterprises operating as private motor carriers include such concerns as chain grocery stores with farflung systems of warehouses and

motortruck fleets; and they also include substantial numbers of "gypsy truckers" -- people who buy commodities, haul them to another place, where they have no business establishment, and then sell them. Any profit the so-called gypsy makes may be from transportation or from the marketing function or from both.

The Committee would limit the definition of "private carrier of property by motor vehicle" to exclude from it any hauler of commodities that were bought for the purpose of transporting them. The hauler's intent would determine whether he was free of economic regulation or subject to it.

Contract Carriers

The statutory definitions of "contract carrier by motor vehicle" and "contract carrier by water" would also be narrowed. The contracts would have to be for specialized services (a requirement which the ICC already applies, but which is not expressly provided by statute); the service would hereafter have to be a substitute for "a feasible private carrier operation"; and the contract carrier must "not perform common carrier services which would ordinarily be undertaken by common carriers."

The Interstate Commerce Act now requires each contract carrier by motor vehicle or by water to publish its actual minimum rates, which means no precise rates charged by it other than the lowest rate which it actually charges to any shipper for the particular service involved. The Committee objects to this arrangement on the ground that it keeps common carriers from competing effectively with contract carriers, as the former do not know the actual rates charged by the latter in any given instance. The Committee recommends that contract carriers be required to publish all of their actual rates "and regulations affecting transportation under their contracts" (the business practices involved) or, at the carriers' option, that they publish the contracts.

These various measures are advocated "to protect common carriers against contract carriers."

Bulk Commodity Exemption

Both common and contract carriers by water are at present exempt from economic regulation so far as concerns any vessel or barge tow with a cargo of three commodities or less, if each is in bulk. They are not required to publish their rates; but, as the Committee points out, they compete with fully regulated common carriers, both rail and water.

The Committee holds that this disparity of treatment is a handicap to regulated common carriers by water in their competition for business. Hence, it advocates repeal of the bulk commodity exemption described above. At present, substantial amounts of grain, phosphate rock, and other farm products and supplies move under this exemption. Its repeal would bring under ICC regulation a large number of domestic water carriers, both common and contract, now engaged in the unregulated transportation of bulk commodities on the inland waterways, the Great Lakes, coastal waters, and deep sea routes.

Shifts of Carriers to More Regulated Categories

So far as concerns those private motor carriers, hitherto legal, that would be excluded from the new definition of that category, the Committee proposes that the ICC be authorized to give them operating rights as contract or common carriers, whichever is appropriate in the individual case. So far as concerns those contract carriers by motor vehicle or water, hitherto legal, that would be excluded from the new definitions of those categories, the Committee proposes that the ICC be authorized to grant them certificates as common carriers. So far as concerns water carriers which would lose the bulk-commodity exemption hitherto utilized by them, the Committee recommends that "appropriate operating authority" be granted to them -- presumably as either contract or common carriers, according to circumstances. Each of the above conversions to a more regulated category would be available. If the carrier did not apply for conversion, it would cease to have any right to operate interstate on any basis at all.

Freight Forwarder Associations

The Interstate Commerce Act provides for economic regulation of freight forwarders, on a common-carrier basis, but with exemption of some types of freight forwarder from this control. One exemption is that of shipper associations whose freight consolidating is done for their members on a nonprofit basis. The Committee proposes that this exemption be tightened, to the end that some of these associations be made subject to regulation.

The Passenger Deficit

A chronic problem of the railroads is that many passenger trains have become steady sources of loss. The losses are made up out of freight revenue and hence are a burden not only to the railroads but also to shippers. Generally, discontinuance of a train is subject to approval by a State regulatory body. These commissions have been reluctant to allow such discontinuance.

The Committee urges that the Interstate Commerce Commission be empowered to order the discontinuance of unprofitable rail services, regardless of any State law or regulation. The ICC would be allowed to do this on finding that such a service places an undue burden on interstate commerce and that "adequate service by other forms of transportation" is available. Presumably this would mean that either for-hire or private transportation facilities may constitute an adequate enough alternative to warrant discontinuance of the common carrier's service.

The Committee advises that Congress consider the idea of also conferring power on the ICC to discontinue unprofitable motor and water carrier services, regardless of State law or regulation.

The Agricultural Exemption

In the Interstate Commerce Act as it now stands, some types of motor transport, although subject to safety regulation by the ICC, are exempt

from ICC economic regulation. From the standpoint of agriculture, by far the most important of these exemptions is that of the motor vehicle transportation of "ordinary livestock, fish . . . or agricultural commodities (not including manufactured products thereof) . . ." This provision is commonly called the agricultural exemption. The interstate transportation of the specified commodities in motor vehicles is free of economic regulation regardless of whether the haulage is by a trucker who never hauls any other kind of cargo or whether the haulage is by a common or contract carrier of nonexempt commodities. In the latter case, the carrier is forbidden to haul exempt and nonexempt commodities in the same truck at the same time. However, he may haul the two at different times on the same trip; or he may haul nonexempt commodities on the outbound trip and carry exempt commodities on the back haul, or vice versa, and thus improve his load factor. The agricultural exemption does not apply to modes of transport other than trucking.

The exemption of the trucking of farm products from economic regulation by the ICC is of vast importance. In this haulage, there is lively competition on rates and service; and the traffic involved is very large. Thus in the shipment of fruits and vegetables out of Florida in the 1953-54 season, 53 percent of the volume moved by truck. In the unloads of livestock at 63 public markets in 1954, only 23 percent of the volume arrived by rail. The remaining 77 percent was mainly accounted for by trucks. The trucking of fruits, vegetables, and livestock comes under the agricultural exemption.

The question of what commodities fall within the agricultural exemption has been the subject of considerable litigation. The Interstate Commerce Commission has held that manure is not an agricultural commodity within the meaning of the exemption. It has also held that dressed poultry, whether fresh or frozen, is a manufactured product of an agricultural commodity within the meaning of the exemption; but Federal District Courts in Iowa and Texas reversed this decision. They held that dressed poultry, fresh or frozen, is a nonmanufactured agricultural commodity. On the whole, the Courts have taken a less restrictive view of the agricultural exemption than the Commission has. In various cases, they have overruled interpretations by the ICC which would have resulted in regulation of the haulage of particular commodities.

The Committee views with concern what it regards as the "growth" of the agricultural exemption. A continued expansion of it, the Committee declares, "could destroy the fundamental purpose of the Act." The Committee proposes that Congress clarify the existing statutory provision. However, the agricultural exemption is the one matter discussed by the Committee on which it does not state what remedial legislation is needed.

Rates for Governments as Shippers

A different type of exemption from economic regulation is that now provided by Section 22 of the Interstate Commerce Act. This exemption concerns all common carriers, regardless of mode of transport, which are subject to the Act. The carriers are authorized to transport property free or at reduced rates for the Federal, State, and municipal governments; to transport persons for the Federal Government free or at reduced

rates; and to do likewise for various other shippers and passengers -- *e.g.,* to grant free transportation or reduced rates for the movement of either property or destitute and homeless persons by charitable societies. Reduced rates or free service which the carriers thus give are not subject to ICC approval and are not required to be made a matter of public record.

Rates below those in the tariff have been given to the Federal Government by sundry carriers, in connection with the shipment of its equipment and supplies and of its strategic and critical materials bought for the national stockpile, and, on occasion, in the movement of its surplus agricultural commodities. Frequently the Federal property to be shipped is distinctive (e.g., munitions), or the commodity, even though it also has private users, does not customarily move between the particular origin and destination involved. In either circumstance, the carrier's tariff usually provides no applicable rate which a commercial shipper would think acceptable for a shipment of the size and type involved. Hence, the Government asks for a rate adjustment (regardless of whether this would be provided through amending the tariff or via Section 22) and in reply is more likely to be offered a reduced rate under Section 22 than a change in the tariff.

The Committee proposes that Section 22 be amended so that -- as regards the Federal, State, and municipal governments' purchase of transportation services -- any rates limited to these shippers shall be subject to "all provisions of the Act (including public filing)" but not including the long-and-short-haul provision or the provision for suspension of proposed rate changes. In "special instances," "special Government rates" could be applied retroactively and on short notice. In any event, where national security is involved the public-filing requirement could be waived.

The chief effects of these changes would be that the ICC could decide whether a rate granted to a government was less than a "just and reasonable minimum" or more than a "just and reasonable maximum," but it would have no power to suspend a proposed increase or reduction in such a rate; and each carrier could learn what Government rates had been granted by any other carrier and could thereupon file a complaint with the ICC, asking the Commission to hold the rate to be unreasonably low. A Government rate held by the ICC to be unreasonably low or high could not thereafter be used.

Significance for Agriculture

The brief section of the Committee's report which is devoted to the agricultural exemption is not the measure of this report's importance to agriculture. If a reconsideration of the agricultural exemption results in a substantial narrowing of it, all of the legislative recommendations in the report will have a heightened significance for farmers, as they will then have, much more than now, to rely upon regulated carriers as their source of adequate transport service at reasonable rates.

However, even if the agricultural exemption is neither amended nor drastically reinterpreted, the whole report of the Committee is of great significance to farmers -- in connection with their procurement of supplies and equipment and even in connection with the marketing of many of their

products. Not only is the rail shipment of all commodities subject to economic regulation; there also is a marketing trend which tends to reduce the scope of the agricultural exemption in trucking. For example, about half of the Florida orange crop now moves from that State in the form of frozen concentrate, a commodity which came on the market only a decade ago. For-hire transport of it is subject to economic regulation by the ICC even when the movement is by truck. The general upward trend in the processing of foods in plants hundreds of miles from the kitchen has an obvious bearing on the proportion of freight which can move under the agricultural exemption.

For agriculture, any basic revision of transportation policy is potentially of vast significance in terms of marketing costs and efficiency. This is partly for the same reasons as those which affect all the rest of the Nation. It is partly, too, for reasons peculiar to those shippers who -- if the plan goes awry and competition is ultimatley reduced instead of lastingly unfettered -- are the most likely to find themselves dependent for access to market on a single carrier.

* * * * * * * * * * * * * * *

SELECTED NEW PUBLICATIONS

1. "Consumer Poultry Meat Studies in the Northeast," compiled by Richard F. Saunders, Maine Agr. Expt. Sta. Bull. 536, Jan. 1955. Northeast Regional Pub. 22. (Agr. Expt. Stas. of Del., Maine, Md., N. Y., R. I., and W. Va., and Agr. Market. Serv. cooperating.)
2. "Costs of Hauling Fresh Fruits and Vegetables in the Honolulu Market," by C. W. Peters, Hawaii Agr. Expt. Sta. Agr. Econ. Bull. 9, May 1955. (Agr. Market. Serv. cooperating.) (RMA.)
3. "Costs of Operating Selected Feed Mills as Influenced by Volume, Services, and Other Factors," by V. John Brensike and William R. Askew, U. S. Dept. Agr. Market. Res. Rept. 79, Feb. 1955. (Agr. Expt. Stas. of Iowa, Oreg., and Tenn. cooperating.) (Processed.)
4. "Factors Influencing the Method of Transportation Used in Marketing Fresh Florida Citrus," by Marvin A. Brooker and Kenneth M. Gilbraith, Fla. Agr. Expt. Sta. Bull. 549, Sept. 1954.
5. "Food Distribution Research, Educational, and Service Work of the U. S. Department of Agriculture," Agr. Market. Serv., U. S. Dept. Agr., May 1955. (Processed.)
6. "Frozen Food Movement into Retail Outlets -- A Test of the Feasibility of Measuring Frozen Food Movement at the Wholesale Level," by Dehard Johnson, Agr. Market. Serv. Pub. 19, U. S. Dept. Agr., Mar. 1955

7. "Improving the Efficiency of Retail Grocery Clerks by Better Training," by Martin Kriesberg, U. S. Dept. Agr. Market. Res. Rept. 82, Mar. 1955. (RMA.) (Processed.)
8. "Innovations in Apple Handling Methods and Equipment," by Earl W. Carlsen, Raoul S. Duerden, D. Loyd Hunter, and Joseph F. Herrick, Jr., RMA Title II contract report with the Washington State Apple Commission, U. S. Dept. Agr. Market. Res. Rept. 68, Jan. 1955. (Processed.)
9. "Marketing Georgia Broilers Through Commercial Processing Plants," by John O. Gerald and Humbert S. Kahle, U. S. Dept. Agr. Market. Res. Rept. 83, Mar. 1955. (Agr. Expt. Sta. of Ga. cooperating; RMA.) (Processed.)
10. "Opinions and Practices of Manufacturers Regarding Fibers Used in Insulated Wire and Cable," RMA Title II contract report prepared by Marketing Services Company, Division of Dun & Bradstreet, Inc., U. S. Dept. Agr. Market. Res. Rept. 85, Apr. 1955. (Processed.)
11. "Packing and Shipping Lettuce in Fiberboard Cartons and Wooden Crates -- A Comparison," by Lawrence J. Voegeli, Edgar F. White, Bryce Masters, and P. L. Breakiron, RMA Title II contract report with Western Growers Association, U. S. Dept. Agr. Market. Res. Rept. 86, Apr. 1955. (Processed.)
12. "Potential Savings by Shipping Cauliflower in Double-Layer Packs," by B. M. Masters, J. C. Winter, and B. P. Rosanoff, RMA Title II contract report with Western Growers Association, U. S. Dept. Agr. Market. Res. Rept. 78, Mar. 1955. (Processed.)
13. "Prices and Other Payments for Milk by Manufacturers in Kansas, Missouri, and Oklahoma Markets," by Alexander Swantz, U. S. Dept. Agr. Market. Res. Rept. 81, Mar. 1955. (RMA.) (Processed.)
14. "Regulations Affecting the Movement and Merchandising of Milk -- A Study of the Impact of Sanitary Requirements, Federal Orders, State Milk Control Laws, and Truck Laws on Price, Supply, and Consumption," U. S. Dept. Agr. Market. Res. Rept. 98, June 1955.
15. "Some Economic Considerations in Storing Seed Cotton at Gins," by John E. Ross, Jr., U. S. Dept. Agr. Market. Res. Rept. 87, Apr. 1955. (Processed.)
16. "Space Allocation for Grocery Items in Food Stores -- Some Keys to Faster Turnover," by V. L. Browner and Hans Pauli, U. S. Dept. Agr. Market. Res. Rept. 80, Feb. 1955. (Processed.)
17. "The Market for Food in Selected Public and Private Institutions," by William S. Hoofnagle, Philip B. Dwoskin, and James A. Bayton, U. S. Dept. Agr. Market. Res. Rept. 84, Mar. 1955. (Processed.)
18. "Transportation of Florida Frozen Orange Juice Concentrate -- A Case Study of Carrier Competition Induced by Dynamic Industry Growth," by Margaret R. Purcell, Agr. Market. Serv. Pub. 50, U. S. Dept. Agr., May 1955. (RMA.)
19. "Vegetable Market Structure Classes in the Southeast," by R. A. King and A. D. Seale, Jr., N. C. State College A. E. Inform. Series 35, Oct. 1954. (Agr. Market. Serv. cooperating; RMA.) (Processed.)
20. "Wholesale Produce Markets -- Management, Operating Expenses, Income," by J. Stanford Larson, U. S. Dept. Agr. Market. Res. Rept. 91, Apr. 1955. (National Association of Produce Market Managers cooperating; RMA.) (Processed.)

Publications issued by State Agricultural Experiment Stations may be obtained from the issuing Station.

Table 5.- Farm food products: Retail cost, farm value of equivalent quantities sold by producers, byproduct allowance, marketing margin, and farmer's share of retail cost, April-June 1955 1/

Product	Farm equivalent	Retail unit	Retail cost	Gross farm value	Byproduct allowance	Net farm value	Margin	Farmer's share
			Dollars	Dollars	Dollars	Dollars	Dollars	Percent
Market basket	Farm produce equivalent to products bought by urban families	Average quantities purchased per urban wage-earner and clerical-worker family in 1952	976.00	---	---	406.31	569.69	42
Meat products			247.01	---	---	139.69	107.32	57
Dairy products			178.56	---	---	80.50	98.06	45
Poultry and eggs			101.57	---	---	67.22	34.35	66
Bakery and cereal products								
All ingredients			150.05	---	---	31.97	118.08	21
Grain			---	28.83	4.10	24.73	---	16
All fruits and vegetables			214.72	---	---	66.35	148.37	31
Fresh fruits and vegetables			126.22	---	---	48.93	77.29	39
Fresh vegetables			69.36	---	---	26.34	43.02	38
Processed fruits and vegetables			88.50	---	---	17.42	71.08	20
Fats and oils			42.74	---	---	13.52	29.22	32
Miscellaneous products			41.35	---	---	7.06	34.29	17
			Cents	Cents	Cents	Cents	Cents	Percent
Beef (Choice grade)	2.16 lb. Choice grade cattle	Pound	67.7	45.7	3.5	42.2	25.5	62
Pork (excluding lard)	1.82 lb. hogs	Pound	49.4	31.2	3.0	28.2	21.2	57
Butter	Cream and whole milk	Pound	70.6	---	---	45.6	25.0	65
Cheese, American processed	Milk for American cheese	Pound	57.7	---	---	27.4	30.3	47
Evaporated milk	Milk for evaporating	14½ ounce can	13.7	---	---	5.9	7.8	43
Fluid milk	Wholesale fluid milk	Quart	22.0	---	---	9.8	12.2	45
Chickens, frying	Commercial broilers	Pound	54.4	---	---	35.0	19.4	64
Eggs	1.03 doz.	Dozen	52.2	---	---	35.5	16.7	68
Bread, white	.912 lb. wheat	Pound	17.7	3.2	.5	2.7	15.0	15
Crackers, soda	1.41 lb. wheat	Pound	27.1	4.9	.7	4.2	22.9	15
Corn flakes	1.57 lb. white corn	12 ounces	22.0	3.9	1.1	2.8	19.2	13
Corn meal	1.34 lb. white corn	Pound	12.6	3.3	.4	2.9	9.7	23
Flour, white	7.04 lb. wheat	5 pounds	54.0	24.6	3.4	21.2	32.8	39
Rice	1.68 lb. rough rice	Pound	19.2	7.5	1.1	6.4	12.8	33
Rolled oats	2.56 lb. oats	20 ounces	19.1	5.7	1.0	4.7	14.4	25
Apples	1.08 lb. apples	Pound	---	---	---	---	---	---
Grapefruit	1.04 grapefruit	Each	10.3	---	---	1.7	8.6	17
Lemons	1.04 lb. lemons	Pound	17.8	---	---	5.1	12.7	29
Oranges	1.04 doz. oranges	Dozen	51.8	---	---	18.0	33.8	35
Beans, green	1.09 lb. snap beans	Pound	23.2	---	---	9.8	13.4	42
Cabbage	1.10 lb. cabbage	Pound	9.6	---	---	3.0	6.6	31
Carrots	1.11 lb. carrots	Pound	12.8	---	---	4.3	8.5	34
Lettuce	1.30 lb. lettuce	Head	15.7	---	---	5.5	10.2	35
Onions	1.06 lb. onions	Pound	8.5	---	---	3.2	5.3	38
Potatoes	15.62 lb. potatoes	15 pounds	107.4	---	---	48.7	58.7	45
Sweetpotatoes 2/	1.12 lb. sweetpotatoes	Pound	15.6	---	---	6.4	9.2	41
Tomatoes	1.18 lb. tomatoes	Pound	30.1	---	---	8.6	21.5	29
Peaches, canned	1.99 lb. Calif. cling	No. 2-1/2 can	33.6	---	---	5.2	28.4	15
Orange juice, canned	5.88 lb. Fla. oranges for canning	46 ounce can	33.0	---	---	8.4	24.6	25
Corn, canned	2.49 lb. sweet corn	No. 303 can	16.9	---	---	2.6	14.3	15
Peas, canned	.69 lb. peas for canning	No. 303 can	21.5	---	---	3.2	18.3	15
Tomatoes, canned	2.25 lb. tomatoes for processing	No. 303 can	15.2	---	---	2.2	13.0	14
Beans with pork, canned	.35 lb. Mich. pea beans	16 ounce can	14.9	---	---	3.4	11.5	23
Orange juice concentrate, frozen	3.05 lb. Fla. oranges for frozen concentrated juice	6 ounce can	18.0	---	---	5.6	12.4	31
Strawberries, frozen	.61 lb. strawberries for processing	10 ounces	30.7	---	---	8.0	22.7	26
Beans, green, frozen	.79 lb. beans for processing	10 ounces	24.2	---	---	4.8	19.4	20
Peas, frozen	.84 lb. peas for freezing	10 ounces	19.6	---	---	3.1	16.5	16
Dried prunes	.97 lb. dried prunes	Pound	33.2	---	---	10.5	22.7	32
Navy beans	1.00 lb. Mich. pea beans	Pound	19.0	---	---	9.7	9.3	51
Margarine, colored	Soybeans, cottonseed, and milk	Pound	28.8	---	---	8.9	19.9	31
Peanut butter	1.77 lb. peanuts	Pound	54.4	---	---	22.1	32.3	41
Salad dressing	Cottonseed, soybeans, sugar, and eggs	Pint	35.3	---	---	7.7	27.6	22
Vegetable shortening	Soybeans and cottonseed	Pound	34.6	---	---	10.6	24.0	31
Corn sirup	1.9 lb. corn	24 ounces	23.7	4.7	1.0	3.7	20.0	16
Sugar	36.84 lb. sugar beets	5 pounds	52.1	20.4	1.0	3/19.4	3/32.7	3/37

1/ Information concerning the sources of price data and calculation of net farm values, marketing margins, and the farmer's share are given in the Supplement to the July-Sept. 1953 issue of this Situation. Product groups include more items than those listed in this table. For example, the meat products group includes lamb, veal, and lower grades of beef in addition to pork and carcass beef of Choice grade.

2/ 2 month average.

3/ Net farm value adjusted for Government payments to producers was 23.5 cents, margin adjusted for Government processor tax was 30.0 cents, farmer's share of retail cost based on adjusted farm value was 45 percent.

Preliminary estimates.

Table 6.- Farm food products: Retail cost and farm value, April-June 1955, January-March 1955, April-June 1954 and 1947-49 average 1/

Product	Retail unit	Retail cost: Apr.-June 1955 3/	Retail cost: Jan.-Mar. 1955	Retail cost: Apr.-June 1954	Retail cost: 1947-49 average	Retail cost: Percentage change Apr.-June 1955 from - Jan.-Mar. 1955	Retail cost: Percentage change Apr.-June 1955 from - Apr.-June 1954	Net farm value 2/: Apr.-June 1955 3/	Net farm value 2/: Jan.-Mar. 1955	Net farm value 2/: Apr.-June 1954	Net farm value 2/: 1947-49 average	Net farm value 2/: Percentage change Apr.-June 1955 from - Jan.-Mar. 1955	Net farm value 2/: Percentage change Apr.-June 1955 from - Apr.-June 1954
		Dollars	Dollars	Dollars	Dollars	Percent	Percent	Dollars	Dollars	Dollars	Dollars	Percent	Percent
Market basket	Average quantities purchased per urban wage-earner and clerical-worker family in 1952	976.00	4/973.77	986.55	954.76	5/	- 1	406.31	4/409.72	433.31	467.91	- 1	- 6
Meat products		247.01	4/249.81	271.36	261.20	- 1	- 9	139.69	4/143.66	173.64	176.11	- 3	- 20
Dairy products		178.56	4/181.54	177.60	168.37	- 2	+ 1	80.50	83.29	79.35	90.88	- 3	+ 1
Poultry and eggs		101.57	4/102.08	97.83	116.87	5/	+ 4	67.22	68.35	62.35	80.53	- 2	+ 8
Bakery and cereal products													
All ingredients		150.05	4/149.91	146.83	121.94	5/	+ 2	31.97	4/ 32.46	31.96	33.16	- 2	5/
Grain		—	—	—	—	—	—	24.73	25.20	23.53	24.40	- 2	+ 5
All fruits and vegetables		214.72	4/205.78	207.11	195.26	+ 4	+ 4	66.35	4/ 61.39	62.14	61.28	+ 8	+ 7
Fresh fruits and vegetables		126.22	4/117.53	118.76	103.57	+ 7	+ 6	48.93	4/ 44.05	44.09	41.85	+ 11	+ 11
Fresh vegetables		69.36	4/ 64.31	60.20	53.14	+ 8	+ 15	26.34	23.79	21.32	23.77	+ 11	+ 24
Processed fruits and vegetables		88.50	4/ 88.25	88.36	91.69	5/	5/	17.42	4/ 17.33	18.06	19.43	+ 1	- 4
Fats and oils		42.74	4/ 43.33	44.32	52.25	- 1	- 4	13.52	4/ 13.52	16.39	18.92	0	- 18
Miscellaneous products		41.35	4/ 41.32	41.50	38.87	5/	5/	7.06	7.05	7.48	7.03	5/	- 6
		Cents	Cents	Cents	Cents	Percent	Percent	Cents	Cents	Cents	Cents	Percent	Percent
Beef (Choice grade)	Pound	67.7	4/69.7	68.1	68.5	- 3	- 1	42.2	4/47.2	43.6	48.5	- 11	- 3
Pork (excluding lard)	Pound	49.4	4/49.5	58.3	52.8	5/	- 15	28.2	4/26.7	40.2	35.2	+ 6	- 30
Butter	Pound	70.6	4/71.3	69.6	79.4	- 1	+ 1	45.6	46.2	45.1	57.4	- 1	+ 1
Cheese, American processed	Pound	57.7	57.5	57.3	52.7	5/	+ 1	27.4	27.9	26.1	32.0	- 2	+ 5
Evaporated milk	14½ ounce can	13.7	13.7	13.9	13.7	0	- 1	5.9	6.2	5.7	7.1	- 5	+ 4
Fluid milk	Quart	22.0	4/22.5	21.8	19.9	- 2	+ 1	9.8	10.2	9.8	10.6	- 4	0
Chickens, frying	Pound	54.4	4/51.4	48.7	—	+ 6	+ 12	35.0	33.4	29.7	—	+ 5	+ 18
Eggs	Dozen	52.2	4/55.6	52.3	66.7	- 6	5/	35.5	38.3	34.7	48.0	- 7	+ 2
Bread, white	Pound	17.7	17.7	17.0	13.5	0	+ 4	2.7	2.8	2.6	2.6	- 4	+ 4
Crackers, soda	Pound	27.1	27.1	27.1	—	0	0	4.2	4.3	4.0	—	- 2	+ 5
Corn flakes	12 ounces	22.0	22.0	21.9	17.0	0	5/	2.8	2.9	3.0	3.2	- 3	- 7
Corn meal	Pound	12.6	12.6	12.5	11.8	0	+ 1	2.9	3.0	3.1	3.6	- 3	- 6
Flour, white	5 pounds	54.0	54.1	53.7	48.4	5/	+ 1	21.2	21.6	19.8	20.5	- 2	+ 7
Rice	Pound	19.2	4/19.1	19.7	19.2	+ 1	- 3	6.4	6.4	6.7	7.8	0	- 4
Rolled oats	20 ounces	19.1	4/18.9	18.5	16.1	+ 1	+ 3	4.7	5.0	5.1	5.4	- 6	- 8
Apples	Pound	—	14.1	—	11.3	—	—	—	6.6	—	5.2	—	—
Grapefruit	Each	10.3	9.6	10.6	8.7	+ 7	- 3	1.7	1.6	1.4	1.6	+ 6	+ 21
Lemons	Pound	17.8	4/18.4	18.0	17.7	- 3	- 1	5.1	5.2	5.5	5.7	- 2	- 7
Oranges	Dozen	51.8	4/46.1	52.5	46.6	+ 12	- 1	18.0	13.6	18.5	12.6	+ 32	- 3
Beans, green	Pound	23.2	4/26.2	22.2	21.0	- 11	+ 5	9.8	11.1	8.6	9.2	- 12	+ 14
Cabbage	Pound	9.6	8.5	7.2	6.9	+ 13	+ 33	3.0	2.2	1.7	1.9	+ 36	+ 76
Carrots	Pound	12.8	13.5	13.4	11.1	- 5	- 4	4.3	3.7	5.6	4.2	+ 16	- 23
Lettuce	Head	15.7	17.3	15.7	14.5	- 9	0	5.5	7.4	6.0	6.4	- 26	- 8
Onions	Pound	8.5	4/ 7.6	7.6	8.4	+ 12	+ 12	3.2	2.1	2.6	3.7	+ 52	+ 23
Potatoes	15 pounds	107.4	4/80.6	78.5	78.8	+ 33	+ 37	48.7	30.2	30.8	38.5	+ 61	+ 58
Sweetpotatoes	Pound	15.6	4/14.3	14.0	11.2	+ 9	+ 11	6.4	6.1	5.4	4.7	+ 5	+ 19
Tomatoes	Pound	30.1	4/31.5	29.0	—	- 4	+ 4	8.6	11.8	8.3	—	- 27	+ 4
Peaches, canned	No. 2-1/2 can	33.6	33.2	32.8	31.5	+ 1	+ 2	5.2	5.2	5.2	5.3	0	0
Orange juice, canned	46 ounce can	33.0	4/33.4	33.5	—	- 1	- 1	8.4	8.0	9.4	—	+ 5	- 11
Corn, canned	No. 303 can	16.9	4/17.2	18.3	16.7	- 2	- 8	2.6	2.6	2.9	2.7	0	- 10
Peas, canned	No. 303 can	21.5	21.5	21.3	21.4	0	+ 1	3.2	3.2	3.2	3.0	0	0
Tomatoes, canned	No. 303 can	15.2	14.9	14.5	4/14.3	+ 2	+ 5	2.2	2.2	2.5	4/2.6	0	- 12
Beans with pork, canned	16 ounce can	14.9	14.8	14.5	—	+ 1	+ 3	3.4	3.5	3.1	—	- 3	+ 10
Orange juice concentrate, frozen	6 ounce can	18.0	17.9	18.2	—	+ 1	- 1	5.6	5.2	5.2	—	+ 8	+ 8
Strawberries, frozen	10 ounces	30.7	30.7	30.7	—	0	0	8.0	8.0	8.3	—	0	- 4
Beans, green, frozen	10 ounces	24.2	24.2	24.5	—	0	- 1	4.8	4.8	4.9	—	0	- 2
Peas, frozen	10 ounces	19.6	4/19.5	19.3	—	+ 1	+ 2	3.1	3.1	3.3	—	0	- 6
Dried prunes	Pound	33.2	4/32.5	30.3	23.1	+ 2	+ 10	10.5	10.5	10.4	8.8	0	+ 1
Navy beans	Pound	19.0	4/18.6	17.5	19.9	+ 2	+ 9	9.7	10.1	8.8	9.7	- 4	+ 10
Margarine, colored	Pound	28.8	4/29.3	29.8	39.7	- 2	- 3	8.9	4/ 8.9	10.4	12.4	0	- 14
Peanut butter	Pound	54.4	4/52.4	49.1	—	+ 4	+ 11	22.1	22.2	19.8	—	5/	+ 12
Salad dressing	Pint	35.3	4/35.5	35.8	37.8	- 1	- 1	7.7	4/ 7.8	9.0	10.0	- 1	- 14
Vegetable shortening	Pound	34.6	35.3	34.8	41.1	- 2	- 1	10.6	10.6	13.0	15.4	0	- 18
Corn sirup	24 ounces	23.7	23.7	23.6	—	0	5/	3.7	3.6	3.7	—	+ 3	0
Sugar	5 pounds	52.1	52.3	52.6	48.4	5/	- 1	19.4	19.4	20.5	19.4	0	- 5

1/ Information concerning the sources of price data and calculations of net farm values are given in the Supplement to the July-Sept. 1953 issue of this Situation. Product groups include more items than those listed in this table. For example, the meat products group includes lamb, veal, and lower grades of beef in addition to pork and carcass beef of Choice grade.
2/ Gross farm value adjusted to exclude imputed values of byproducts obtained in processing.
3/ Preliminary estimates.
4/ Revised.
5/ Less than 0.5 percent.

Table 7.- Farm food products: Marketing margin and farmer's share of the retail cost, April-June 1955, January-March 1955, April-June 1954, and 1947-49 average 1/

Product	Retail unit	Marketing margin 2/						Farmer's share			
		Apr.-June 1955 3/	Jan.-Mar. 1955	Apr.-June 1954	1947-49 average	Percentage change Apr.-June 1955 from - Jan.-Mar. 1955	Percentage change Apr.-June 1955 from - Apr.-June 1954	Apr.-June 1955 3/	Jan.-Mar. 1955	Apr.-June 1954	1947-49 average
		Dollars	Dollars	Dollars	Dollars	Percent	Percent	Percent	Percent	Percent	Percent
Market basket	Average quantities purchased per urban wage-earner and clerical-worker family in 1952	569.69	4/564.05	553.24	486.85	+ 1	+ 3	42	42	44	49
Meat products		107.32	4/106.15	97.72	85.09	+ 1	+ 10	57	4/58	64	67
Dairy products		98.06	4/ 98.25	98.25	77.49	5/	5/	45	46	45	54
Poultry and eggs		34.35	4/ 33.73	35.48	36.34	+ 2	- 3	66	67	64	69
Bakery and cereal products											
All ingredients		118.08	4/117.45	114.87	88.78	+ 1	+ 3	21	22	22	27
Grain		---	---	---	---	---	---	16	17	16	---
All fruits and vegetables		148.37	4/144.39	144.97	133.98	+ 3	+ 2	31	30	30	31
Fresh fruits and vegetables		77.29	4/ 73.48	74.67	61.72	+ 5	+ 4	39	4/37	37	40
Fresh vegetables		43.02	4/ 40.52	38.88	29.37	+ 6	+ 11	38	37	35	45
Processed fruits and vegetables		71.08	4/ 70.92	70.30	72.26	5/	+ 1	20	20	20	21
Fats and oils		29.22	4/ 29.81	27.93	33.33	- 2	+ 5	32	31	37	36
Miscellaneous products		34.29	4/ 34.27	34.02	31.84	5/	+ 1	17	17	18	18
		Cents	Cents	Cents	Cents	Percent	Percent	Percent	Percent	Percent	Percent
Beef (Choice grade)	Pound	25.5	4/22.5	24.5	20.0	+ 13	+ 4	62	68	64	71
Pork (excluding lard)	Pound	21.2	4/22.8	18.1	17.6	- 7	+ 17	57	4/54	69	67
Butter	Pound	25.0	4/25.1	24.5	22.0	5/	+ 2	65	65	65	72
Cheese, American processed	Pound	30.3	29.6	31.2	20.7	+ 2	- 3	47	49	46	61
Evaporated milk	14½ ounce can	7.8	7.5	8.2	6.6	+ 4	- 5	43	45	41	52
Fluid milk	Quart	12.2	4/12.3	12.0	9.3	- 1	+ 2	45	45	45	53
Chickens, frying	Pound	19.4	4/18.0	19.0	---	+ 8	+ 2	64	4/65	61	---
Eggs	Dozen	16.7	4/17.3	17.6	18.7	- 3	- 5	68	69	66	72
Bread, white	Pound	15.0	14.9	14.4	10.9	+ 1	+ 4	15	16	15	19
Crackers, soda	Pound	22.9	22.8	23.1	---	5/	- 1	15	16	15	---
Corn flakes	12 ounces	19.2	19.1	18.9	13.8	+ 1	+ 2	13	13	14	19
Corn meal	Pound	9.7	9.6	9.4	8.2	+ 1	+ 3	23	24	25	31
Flour, white	5 pounds	32.8	32.5	33.9	27.9	+ 1	- 3	39	40	37	42
Rice	Pound	12.8	4/12.7	13.0	11.4	+ 1	- 2	33	34	34	41
Rolled oats	20 ounces	14.4	4/13.9	13.4	10.7	+ 4	+ 7	25	4/26	28	34
Apples	Pound	---	7.5	---	6.1	---	---	---	47	---	46
Grapefruit	Each	8.6	8.0	9.2	7.1	+ 8	- 7	17	17	13	18
Lemons	Pound	12.7	4/13.2	12.5	12.0	- 4	+ 2	29	28	31	32
Oranges	Dozen	33.8	4/32.5	34.0	34.0	+ 4	- 1	35	30	35	27
Beans, green	Pound	13.4	4/15.1	13.6	11.8	- 11	- 1	42	4/42	39	44
Cabbage	Pound	6.6	6.3	5.5	5.0	+ 5	+ 20	31	26	24	28
Carrots	Pound	8.5	9.8	7.8	6.9	- 13	+ 9	34	27	42	38
Lettuce	Head	10.2	9.9	9.7	8.1	+ 3	+ 5	35	43	38	44
Onions	Pound	5.3	4/ 5.5	5.0	4.7	- 4	+ 6	38	4/28	34	44
Potatoes	15 pounds	58.7	4/50.4	47.7	4/40.3	+ 16	+ 23	45	4/37	39	4/49
Sweetpotatoes	Pound	9.2	4/ 8.2	8.6	6.5	+ 12	+ 7	41	43	39	42
Tomatoes	Pound	21.5	4/19.7	20.7	---	+ 9	+ 4	29	37	29	---
Peaches, canned	No. 2-1/2 can	28.4	28.0	27.6	26.2	+ 1	+ 3	15	16	16	17
Orange juice, canned	46 ounce can	24.6	4/25.4	24.1	---	- 3	+ 2	25	24	28	---
Corn, canned	No. 303 can	14.3	4/14.6	15.4	14.0	- 2	- 7	15	15	16	16
Peas, canned	No. 303 can	18.3	18.3	18.1	18.4	0	+ 1	15	15	15	14
Tomatoes, canned	No. 303 can	13.0	12.7	12.0	4/11.7	+ 2	+ 8	14	15	18	4/18
Beans with pork, canned	16 ounce can	11.5	11.3	11.4	---	+ 2	+ 1	23	24	21	---
Orange juice concentrate, frozen	6 ounce can	12.4	12.7	13.0	---	- 2	- 5	31	29	29	---
Strawberries, frozen	10 ounces	22.7	22.7	22.4	---	0	+ 1	26	26	27	---
Beans, green, frozen	10 ounces	19.4	19.4	19.6	---	0	- 1	20	20	20	---
Peas, frozen	10 ounces	16.5	4/16.4	16.0	---	+ 1	+ 3	16	16	17	---
Dried prunes	Pound	22.7	4/22.0	19.9	14.3	+ 3	+ 14	32	32	34	38
Navy beans	Pound	9.3	4/ 8.5	8.7	10.2	+ 9	+ 7	51	4/54	50	49
Margarine, colored	Pound	19.9	20.4	19.4	27.3	- 2	+ 3	31	30	35	31
Peanut butter	Pound	32.3	4/30.2	29.3	---	+ 7	+ 10	41	4/42	40	---
Salad dressing	Pint	27.6	27.7	26.8	27.8	5/	+ 3	22	22	25	26
Vegetable shortening	Pound	24.0	24.7	21.8	25.7	- 3	+ 10	31	30	37	37
Corn sirup	24 ounces	20.0	20.1	19.9	---	5/	+ 1	16	15	16	---
Sugar	5 pounds	32.7	32.9	32.1	29.0	- 1	+ 2	37	37	39	40

1/ Information concerning the calculation of the marketing margin and farmer's share are given in the Supplement to the July-Sept. 1953 issue of this Situation. Product groups include more items than those listed in this table. For example, the meat products group includes lamb, veal, and lower grades of beef in addition to pork and carcass beef of Choice grade.
2/ The marketing margin is the difference between the retail cost and the net farm value, table 6.
3/ Preliminary estimates.
4/ Revised.
5/ Less than 0.5 percent.

U. S. Department of Agriculture
Washington 25, D. C.

Penalty for private use to avoid payment of postage $300

OFFICIAL BUSINESS

AMS-MTS-118-7/55

WALTER M. SCOTT
AGR'L RESEARCH SERV., USDA
UTILIZATION RESEARCH BR.
7-9-54
FRPS